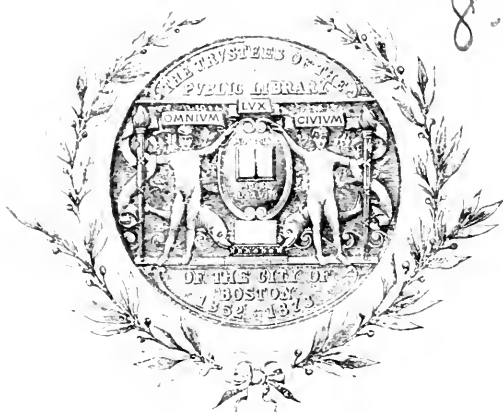
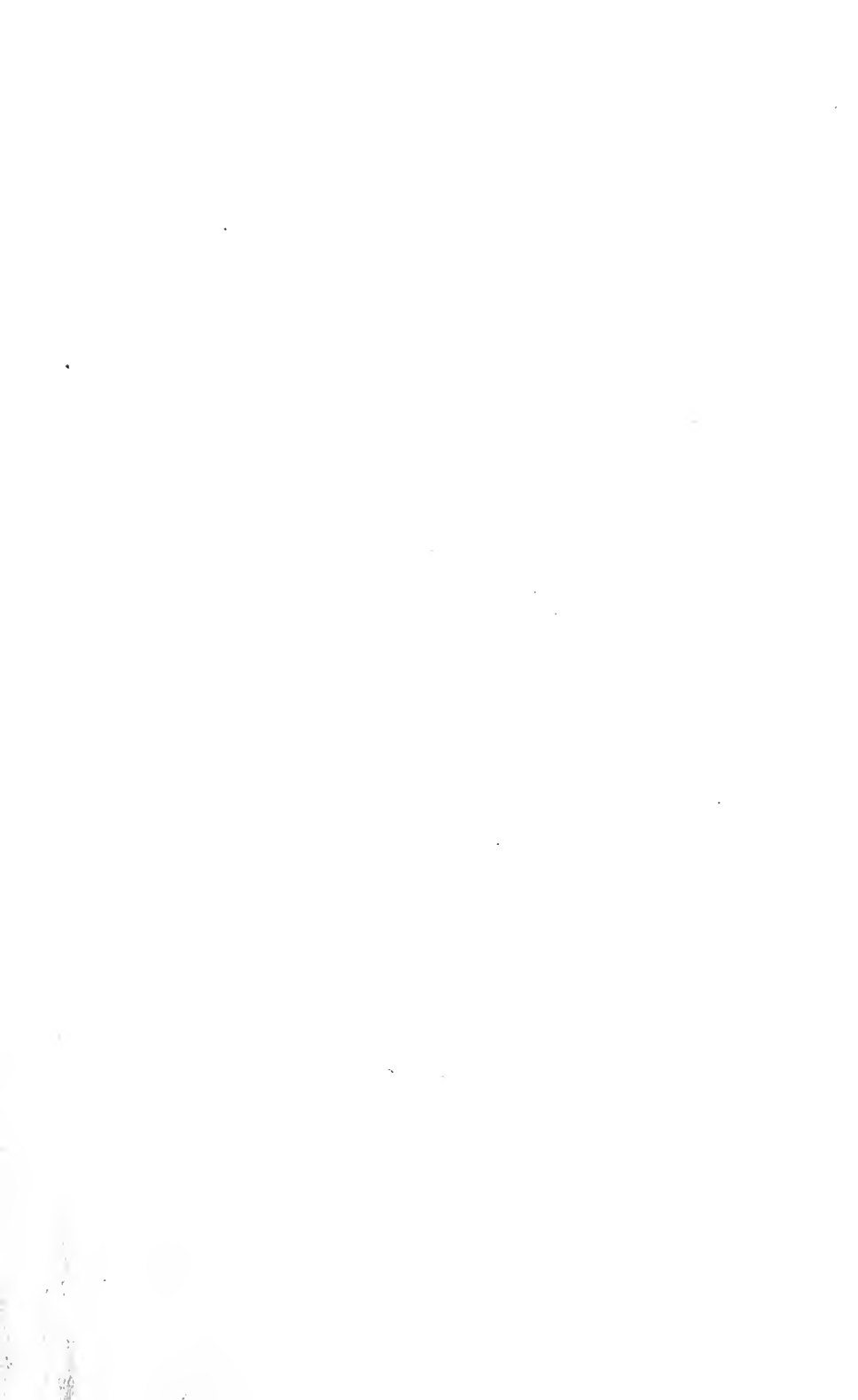


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ECONOMIC SECURITY ACT

pt. 2-11

HEARINGS

BEFORE

THE COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-FOURTH CONGRESS

FIRST SESSION

ON

S. 1130

A BILL TO ALLEVIATE THE HAZARDS OF OLD AGE,
UNEMPLOYMENT, ILLNESS, AND DEPENDENCY,
TO ESTABLISH A SOCIAL INSURANCE BOARD
IN THE DEPARTMENT OF LABOR, TO
RAISE REVENUE, AND FOR
OTHER PURPOSES

PART 8

FEBRUARY 8 AND 9, 1935



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ECONOMIC SECURITY ACT

FRIDAY, FEBRUARY 8, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The Committee met pursuant to call at 10:10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

Present: Senators Harrison (chairman), King, George, Barkley, Costigan, Clark, Byrd, Lonergan, Gerry, Couzens, Metcalf, Hastings, and Capper.

The CHAIRMAN. All right, Miss Davis, we will hear you first.

STATEMENT OF MISS SUSAN LAWRENCE DAVIS, WASHINGTON, D. C., REPRESENTING THE TOWNSEND-DAVIS CLYSTERTORY HEALTH TREATMENTS, ATHENS, ALA.; ALSO REPRESENTING MRS. EMMA H. TOWNSEND, CORSICANA, TEX.

Miss DAVIS. Mr. Chairman and members of the committee, I come before you to ask you to revive a piece of social-security legislation that was sponsored at one time by Senator John H. Bankhead, Sr., and which was to be an amendment to a bill that was before the public health committee and I believe introduced in the Senate by Senator Ransdell, of Louisiana. It was introduced on the day that Woodrow Wilson read his 14 peace points, on the 22d of January 1917, and we soon after that went to war and I never knew what became of that kind of legislation. Now that Brother Coughlin and Will Rogers have finished the war I want to get back to that legislation, Mr. Chairman, and see if you cannot put it into the Economic Security Act.

The CHAIRMAN. Have you got a copy of the bill?

Miss DAVIS. Senator Ransdell's bill?

The CHAIRMAN. Yes.

Miss DAVIS. No, sir; I haven't. I have a copy of the amendment.

The CHAIRMAN. Put that into the record, Miss Davis.

Miss DAVIS. Yes.

(The amendment referred to is as follows:)

That there shall be established a division of personal hygiene and human sanitation, based on the Townsend-Davis clystertory method (intestinal cleansing), for the prevention of infantile paralysis to the end that the disease be controlled and cured.

That an appropriation for the purchase of said Townsend-Davis clystertory method be made by the United States Government, the sum to be \$1,000,000. That said method be disseminated by bulletins of instruction and personal demonstration to the people of the United States and possessions for the pre-

vention of infantile paralysis and other preventable and curable diseases, cancer, appendicitis, high blood pressure, and the common cold. The common cold alone causes the loss of billions of dollars to the American people every year.

The duty of this division shall be to investigate and encourage the adoption of improved methods of human sanitation and the use of said method in ridding the human intestines and blood of the waste material. The retention of material similar to pus and mucus in the small intestines and stomach is the cause of infantile paralysis and other diseases, and the Townsend-Davis clystertery method removes this cause.

This division shall be known as the "Bureau of Instruction in Hygiene for the Prevention of Disease", and shall be a clearing house for all methods of hygiene, nonmedical, not already recognized, for the conquering of loathsome diseases by instruction in the care of the body. A nominal sum to be charged for said instruction will maintain the bureau.

Miss DAVIS. I would like, Mr. Chairman, to say that Senator Long succeeded Senator Ransdell in the Senate and he has adopted a slogan, "Share your wealth." So I am offering our slogan, "Share your health", and we will share it with all, Senator, if you help us.

Mrs. Townsend discovered this method and we have developed it for a period of 35 years. We haven't asked for any funds of anybody, nor of the Government, while the physicians have been financed by all the foundations of the Government. Now that we have lived our three score years and ten, I would like to have put in the record what Mrs. Townsend's home paper said about her. Mrs. Townsend, for whom I am speaking, could not come up from Texas.

(The statement above referred to is as follows:)

Mrs. Emma H. Townsend left today for Weatherford where a large class in health culture awaits her instruction. In years to come Corsicana will be erecting a monument to this woman, who is just that much ahead of our times in her knowledge of things which, as a benefit to humankind, makes them wiser, healthier, and happier.

At that time I had gone to work for her, after she restored me from being an invalid.

The CHAIRMAN. I was just going to suggest to you, Miss Davis, that you may put into the record any statement you want in elaboration of your views.

Miss DAVIS. Yes, sir. I first took this measure up with the Economic Security Committee that the President appointed, in order to get it on the bill, and I did not get to see Miss Perkins, nor Mr. Hopkins. I have letters from Senator Bankhead and Mr. Bankhead, but I did not get to see them. I did see Mr. Witte, and Mr. Witte wrote me a letter in which he said that they would not take up any health work in this bill. However, I find that Senator Wagner has put it in the bill, and if it does not put you out too much, I would just like to read this. I had called on Mr. Edwin C. Witte in reference to the endorsement of the clystertery health treatments, and he wrote me as follows:

We are returning herewith the material which you left with us a few days ago. Since our committee, however, has a definite field which it must cover in its report and this does not include public-health activities I cannot see how we can take up this proposal.

But I find that they did take it up in the bill, so that is the reason that I come before you. It is too late to do anything with that committee. The bill you are considering, the Economic Security Act, does take up public-health activities, and I am asking that the Townsend-Davis Clystertery Health Method be given a square deal under

the new bill, as well as the regular medical profession. We have cured thousands of people and have taught them how to stay well. We have tested this treatment for 35 years. It does not need any more testing, and with the statistics I can present to you of the illness of people I am sure this committee will help us. This committee was elected by the people, just as Mr. Roosevelt was, and he will receive your decision in reference to including the clystertory method in this Economic Security Act, when his attention has been called to the need of it for the security of the men, women, and children. He has pledged himself to do this for them while he is President.

My Congressman, Hon. Arthur H. Carmichael, of the Eighth Alabama District, made arrangements for me to talk with Mr. McIntyre and Mr. McIntyre asked me to present the clystertory treatment to him with the endorsements, which I did. Mr. McIntyre wrote me—

I do not believe that the President will endorse a proposal to appropriate public money for the proprietorship in a method for the prevention and treatment of disease when free publication is so frequently made by others of such matters. If you care to make free a detailed publication the method would, I am sure, receive attention from those competent to express an opinion of its general value. In the meanwhile the permission to practice the method given you by Congress in 1929 should assist you in assembling evidence as to such value.

When I was granted that privilege and won my rights through the District of Columbia Committee, I had two of this committee, Senator Copeland and Senator King, who gave me a secretary, and I was permitted to go ahead with my method.

I submitted evidence as to the value of the clystertory treatments to Mr. McIntyre. I will just go a little further back and state that when Senator John H. Bankhead, Sr., first introduced this social-security legislation, he was very careful to make a very extensive and intensive investigation of the merits of this method. He would never have sponsored it had he not done it. On his own private board of investigators he had Dr. John H. Wyeth, Dr. William N. Polk, and Dr. Simon Baruch, who had allowed the two founders, Mrs. Townsend and myself, to demonstrate this method to them. Dr. Baruch is the father of all kinds of water treatments and he said he thought he knew it all, but after he investigated ours he said it was original, it was scientific and effectual. That is what he wrote my Senator. So I feel that Senator Bankhead did not introduce any fantastic legislation.

The CHAIRMAN. Miss Davis, we will give every consideration to it. Have you any other matters that you want to put in the record?

Miss DAVIS. I just want to say this much, Senator. The appendicitis record for 1932 is appalling, as given by Frederick L. Hoffman, LL. D., consulting statistician for the Prudential Life Insurance Co. The highest death rate for cities with excessive appendicitis death rates is 46.9 per 100,000, in Salt Lake City, and the lowest death rate, which is in Union City, N. J., is 1.5. No explanation can be given for the differences. Mrs. Townsend, the founder of the clystertory treatment method, and myself, have discovered the cure for appendicitis, and when we reduce the death rate to such an extent it would justify the \$1,000,000 that we ask. That is a small price for what we have done. We ask it because we cannot afford to disseminate

it free, and we know of no doctors who have not been financed in some way or other by some foundation of our Government. I hope they will continue to do all the good work they can. I would like to have this list of the cities with these death rates inserted in the record.

The CHAIRMAN. Very well.

(The list of death rates referred to is as follows:)

Cities with excessive appendicitis death rates, 1932

[Rate per 100,000]

Salt Lake City-----	46.9	Wheeling, W. Va-----	35.0
Lexington, Ky-----	42.9	El Paso, Tex-----	34.3
Oak Park, Ill-----	40.4	Greensboro, N. C-----	33.7
Nashville, Tenn-----	39.0	Jackson, Mich-----	33.5
Little Rock, Ark-----	38.3	Madison, Wis-----	32.7
Portland, Maine-----	38.0	Savannah, Ga-----	31.6
Memphis, Tenn-----	37.4	Dallas, Tex-----	30.1

Cities with low appendicitis death rate, 1932

[Rate per 100,000]

Union City, N. J-----	1.5	Bedford, Mass-----	3.1
Altoona, Pa-----	2.3	Mt. Vernon, N. Y-----	3.1
Salem, Mass-----	2.3	Pasadena, Calif-----	3.6
Akron, Ohio-----	3.0	McKeesport, Pa-----	5.3
Topeka, Kans-----	3.0	New Rochelle, N. Y-----	5.3

The CHAIRMAN. Thank you very much, Miss Davis. Mr. Folsom, you are assistant treasurer of the Eastman Kodak Co. and served on the advisory council of the Committee on Economic Security?

STATEMENT OF MARION B. FOLSOM, ROCHESTER, N. Y., ASSISTANT TREASURER, EASTMAN KODAK CO.

Mr. FOLSOM. I am the assistant treasurer of the Eastman Kodak Co. and I am appearing here as a member of the advisory council of the Committee on Economic Security, one of the five employer representatives on the council. Since no employer member of that council has appeared, I would like very much to have enough time to give a statement of the position of the advisory council on this legislation, and particularly the employer members.

The CHAIRMAN. Proceed.

Mr. FOLSOM. I might say I happened to be appointed one of the subcommittee of the advisory council that spent considerable time in going over the proposed legislation from the middle of November until the latter part of the year. I spent over half of my time down here, and I became quite well acquainted with the details of the plan. I was in constant consultation with the various members of the staff who worked on it.

I have also had practical experience, both in unemployment benefit plans and old-age pension plans, in our own company. I spent considerable time in 1928 in devising the old-age annuity plan of the Eastman Kodak Co., which was adopted at that time, not only for

the employees of the company in this country but also for the employees of this company in several foreign countries. I am in touch with the situation in these foreign countries.

I have also had experience with the Rochester unemployment benefit plan, which was adopted in 1931 by several Rochester companies. I think that is the best experience we have had in this country with an unemployment benefit plan. That plan was set up in the first part of 1931, under which the individual companies built up a reserve from which they intended to pay benefits to people who might become unemployed after the first of January 1933. We had 2 years in which to build up the reserve.

Beginning the first of January 1933 these companies started to pay benefits to the people who became unemployed. That plan, so far, has achieved what we expected it to achieve. We had in mind if we built up a reserve of that sort that the individual companies would try to make a better effort to stabilize employment, so there would be less unemployment, and in case we did have unemployment we could pay benefits to the people who were laid off. We have paid benefits to those people who were laid off during the 2 years 1933 and 1934. Although there were 13,000 persons employed in those 7 companies only 477 people have actually been laid off.

It is true during the time that we had an upward trend in business, but there has been considerable fluctuation in employment in many concerns and in business as a whole; yet these seven companies have been able to keep employment so stable that there have been very few lay-offs. Considerable credit must be given to this plan.

This is an illustration of what a number of companies have done throughout the country to provide security for their own workers. Only a few have adopted unemployment benefit plans but we have a record of several hundred companies who have adopted formal pension plans, covering 2,000,000 workers all together.

Senator KING. That does not include railroads?

Mr. FOLSOM. No; just industrial companies. There are several reasons why these companies have adopted plans of this sort. In our own company we have a plan not only of old-age annuities and unemployment benefits, but also disability benefits, life insurance, sick benefits, and a wage dividend. The company pays the entire cost, with the exception of the unemployment-benefit plan. We have a provision that in time of emergencies the employees contribute something to provide benefits for those who are laid off.

The CHAIRMAN. Have you ever had any trouble with employees with reference to that matter?

Mr. FOLSOM. No, sir. Of course, we haven't put that part into operation yet. That was intended for future depressions.

As I was saying, the cost of these plans is borne entirely by the company. The plans we already have in force will cost us more, or a greater percentage of the pay roll, than the plans that we are considering here.

Senator COUZENS. Do I gather from that that you are against the pooling idea?

Mr. FOLSOM. Yes, I am; but I will get to that later.

Senator COUZENS. Very well.

Mr. FOLSOM. These plans, as I say, have been developed not only in my own company but in a number of other companies. They

were adopted and developed not from a paternalistic or a charitable point of view, but from the point of view of good business.

The CHAIRMAN. You say there are 400 companies in the United States that have adopted this plan?

Mr. FOLSOM. Pension plans.

The CHAIRMAN. And those companies have how many employees?

Mr. FOLSOM. Two million all together. We feel that it is good business to have an annuity plan, for instance, because you are able to retire persons after they have outgrown their period of usefulness and replace them by more efficient workers. Therefore in the long run they pay for themselves.

Under the unemployment benefit plan you place a burden on the company and the company will try to prevent unemployment as a result of it, and the resulting stable work will enable you to produce your products at a lower cost. The workers will have steadier work. You can cut your cost down and therefore the consumers will undoubtedly benefit from it.

Senator GEORGE. Do you know how many industrial companies have provided for unemployment?

Mr. FOLSOM. I do; yes. We started originally with 14 companies in Rochester. Several of them, the smaller companies, because the depression became much worse after 1931, could not continue the payments. But those 7 companies which have continued the plan and set aside the fund have proven that plan is practical. Only a handful of companies outside of Rochester and Wisconsin have unemployment benefit plans, the General Electric Co. among others. Pension plans, on the other hand; have been steadily increasing all over the country. Even during the depression pension plans have been adopted by many companies. I might say that most of those which have been adopted recently are on a sound actuarial basis, where the money has actually been put in insurance companies as trustees. In our own case, in 1928 we actually turned over \$7,000,000 to an insurance company to pay the accrued liability. We have been putting money in since to take up the current liabilities.

Senator KING. That was for pensions?

Mr. FOLSOM. Yes.

Senator KING. You differentiate between pensions and unemployment benefits?

Mr. FOLSOM. Yes, sir. Under the unemployment plan each company builds up a fund by taking a certain percentage of their pay roll, based upon their experience over a period of years, from which they pay benefits. So far the benefits we have paid out in our company have not been as much as the interest that we have received on that fund. We have got that fund, which we are accumulating for future periods of unemployment. We hope we can keep a large part of the fund intact for the next period of heavy unemployment.

Senator KING. I should be very glad if you would indicate whether the plan proposed in the bill under consideration is going to destroy or mutilate or have any effect, and if so what effect, upon the plans in force today.

Mr. FOLSOM. It will take me quite a little time to get to that phase, but I would like to get the whole picture before the committee first. Many people felt that you could build up enough interest in these plans

so that most of the companies would adopt the plan voluntarily and there would not have to be any legislation. I was among those several years ago who hoped so. The employers who are on this Advisory Council—you will recall they are Mr. Teagle, Mr. Swope, Mr. Lewishohn, Mr. Leeds, besides myself—reached the conclusion that you must have legislation in order to provide security for the workers in general, which many companies are already providing, because voluntary action would be so slow. You cannot expect these industrial plans to give general security. Therefore the employers on this Council approved, in the main, the aims and purposes of this bill, but we have certain suggestions to offer which we think will make it more workable. Most of those suggestions were included in the recommendations of the Advisory Council. Our Advisory Council submitted the recommendations to the Cabinet Committee, and you have a copy on file of those recommendations.

We feel there are some very necessary precautions to be taken so the introduction of this plan will not have a bad effect on business and commerce in general, and also you must take precautions that you do not build up too large an administrative organization and take away too much from the benefits to be paid to the workers.

Senator CLARK. You are speaking of the unemployment insurance?

Mr. FOLSOM. Of the whole business. We have had some experience in foreign countries where our own company operates. In Germany, for instance, the administration expenses are too high. We are hoping that this legislation will prevent such a large bureaucracy from developing. We know that there will be a tendency to build up a large bureaucratic agency to administer it.

Senator KING. You cannot hope for much improvement in this country in the light of the tremendously large bureaucratic government that we are building up.

Mr. FOLSOM. No. I think you have got to keep it down as much as you can.

Now in regard to unemployment compensation, I want to call your attention to the fact that the purpose of this legislation is to provide, or to build up, a fund from which to pay benefits to people who are laid off, but that the benefits could only cover a limited period. The actuaries estimate that at the 3-percent rate you may buy benefits from 16 to 18 weeks; but if you have a long-service man who has not drawn benefits for long periods, you will give him an additional week's benefit for each 6 months' service, a maximum of 25 weeks. It is not intended to meet at all the present situation. Some of the people feel this is going to meet the present situation. This is not intended at all for the present depression—it is not intended for deep depressions in the future even; it is intended for fluctuations of unemployment in normal times, for seasonal unemployment, technological unemployment, and for minor depressions such as we had in 1921. It will probably cover the first year of deep depressions. All the estimates are based on the periods such as we had from 1922 up to 1933.

Senator KING. Do you know Dr. Epstein?

Mr. FOLSOM. Yes.

Senator KING. He emphasized the points, as I understand, that you are now making.

Mr. FOLSOM. Yes. And also it is not insurance. It is clearly stated it is compensation and not insurance. So many arguments are advanced for a certain type of unemployment compensation that will take care of the period of depression. This is not for the period of depression at all. You have got to depend on relief to take care of the tremendous load that you have during depressions.

The Federal legislation which was submitted to our council first considered the system of the Federal Government as a whole; that is, one system. We do not think—and the President indicated he did not think—it was desirable. In the first place, it is almost impossible to devise one system that would be good for one section of the country and would be good for other sections, because the conditions in the country vary so much so that very early in our deliberations we discarded the one Federal system.

We think the States should be given the opportunity to experiment with different systems. There were two plans submitted to us for Federal and State legislation. The first is the plan provided in this bill, which we call the Wagner-Lewis type, under which you tax in Washington the pay roll of all employers. They will receive as a credit on this 90 percent of any payments made to a State unemployment plan. If a State passes no law the money stays in Washington to be used for any purpose, which is a bad feature.

The second is the grant-in-aid scheme, under which the taxes are to be levied on all the pay roll, but the money is actually to come to the Federal Government; and then the money would be voted back into forms of grants to the States which would pass such legislation for unemployment compensation, meeting certain minimum requirements and standards provided in the Federal law.

We had a sharp division of opinion in our own council on this type of bill. The majority, including the employers, and also Mr. Green and some of the social workers, favored the grant-in-aid plan, because they felt you could put more standards, in the first place, into the Federal law without running into constitutional objections, and also you could permit industry funds to be set up and have experimentation along industry lines as well as along State lines, or some new experimentation along N. R. A. lines.

Also that plan could be changed very easily, because the standards could be changed by the administrative agency from time to time, and if later on you wanted a system more uniform throughout the country you could get it.

Now the arguments in favor of the Wagner-Lewis type bill are that that bill will set up a State system. If anything happens, because of constitutional reasons, to Federal legislation, you will still have a State system intact. I know you have heard arguments for and against that, so I will not go into details, but I will say the majority of the council did favor the grant-in-aid type of bill rather than this type. We know there are good reasons for this type as well as the other type, but I wanted to bring to your attention the recommendations of our council.

This bill, the Wagner-Lewis bill, now has very few standards in it. We recommended that any type of legislation should have a certain minimum standard, so that some States can get out from under with a very weak legislation. This bill has fewer standards than the Wagner bill last year. I imagine some were dropped out because of con-

stitutional reasons. On the other hand, this bill contains certain restrictions that now appear to be as much regulatory as the standards that were left out. Some of those restrictions we think are not desirable at all. I will indicate which ones they are, and I will indicate the changes that I think should be made.

The first is with regard to a type of system that permits freedom to the States. This is the most important point I can bring to your committee today, and I think you should give it very serious consideration. The Advisory Council, by unanimous vote of all 20 members, of whom only 5 were employers, felt that freedom should be left to the States to decide what type of plan they should put up—whether they should have a straight pool plan, a separate account system, or a combination of the two. By “pool plan” I mean one under which every company should contribute 3 percent, less the 10 percent going to Washington—contribute all this fund into one pool covering the employees for the whole State.

Senator KING. The Ohio plan?

Mr. FOLSOM. The Ohio plan. The other type is a separate account system. By the “separate account” system I do not necessarily mean the present Wisconsin bill. By “separate account” system we mean one in which the money would still all be in the Federal Government, the Treasury Department; but the State will keep a separate account in each employer’s name for few or many as can meet certain requirements fixed by the State law. Before an employer can get a separate account he must give a guaranty sufficient to convince the State agency that he can pay his benefits to his own workers, and he will make contributions just the same, at the 3-percent rate, until he builds up a reserve account which is considered adequate to pay the benefits. So everybody will contribute the same rate for the first 3 or 4 years. Eventually, after his reserve account has reached the amount which is considered adequate, if he has a good record of employment in his plant, then his contributions are reduced. That is called a “separate account” system, with adequate guaranties.

Senator KING. Would that plan encourage or permit insurance or unemployment benefits to be developed by each corporation?

Mr. FOLSOM. Yes.

Senator KING. To supplement any Federal and State legislation?

Mr. FOLSOM. Yes. The third plan is a combination of the two. You may start out with a pool plan, but rather than let the company getting the credit for the whole 3 percent in its own account you give the company credit for 2 percent and leave 1 percent in the pool.

We feel, that is our advisory council with Mr. Green agreeing and with the labor people agreeing, in fact it was a unanimous vote, we feel that the choice should be left to the States. If one State wants to develop a separate account system, like Wisconsin, or pool system or a pool system with some separate accounts, we think it should be left free to choose for itself. Wisconsin will have to change its law to put the guaranties in. We all agree that the guaranties should be there. Unless a company has enough in the guaranty or reserve to be sure the employees will be protected there should be no reduction of rates. Even if we have got the guaranties there there should be no reduction in rates until you build up the reserve to a reasonable

level. We feel the States should be permitted to experiment along that or other lines.

Senator HASTINGS. Do you mean that it would reduce it to 3 percent in some cases?

Mr. FOLSOM. This bill now proposes your contributions would be reduced. You are given additional credit on your tax.

Senator HASTINGS. I do not know where that is.

Mr. FOLSOM. After you reach the 15-percent level.

The CHAIRMAN. What is that provision of the law?

Mr. FOLSOM. I intend to reach that in just a minute.

Senator HASTINGS. All right.

Mr. FOLSOM. So our advisory council, in making this report, stated two objectives of this legislation should be: First, the payment of compensation to people who are laid off; and, second, it should serve as an incentive to employers to reduce unemployment, or to stabilize employment.

I would like to read just two sentences from the President's message of January 17, wherein he says:

An unemployment compensation system should be constructed in such a way as to afford every practical aid and incentive toward the larger purpose of unemployment stabilization. * * * Moreover, in order to encourage the stabilization of private employment, Federal legislation should not foreclose the States from establishing means for inducing industries to afford an even greater stabilization of unemployment.

My contention is that the present provisions of section 608 do actually foreclose States from setting up such a system as the President urged.

Senator KING. Pardon me just a minute. Did you say section 608?

Mr. FOLSOM. Section 608, sir.

Senator GERRY. What page is that?

Senator COUZENS. Those were the sections that Dr. Epstein eliminated yesterday.

Mr. FOLSOM. He wanted the whole section eliminated, but if you did this nobody would ever get a reduction. That section provides, I will indicate briefly, that before an individual company can get any reduction in rates under a plan which provides a separate account system—you get the idea from this bill that you are actually permitting these States to set up separate account systems, but the restrictions are so great that for all practical purposes no company would be able to meet them. It is for this reason: It states before any employer can get a reduction under the separate account system he must, in the first place, put 1 percent in the pool; and, in the second place, he must guarantee full compensation to all the workers; and, in the third place, his reserve must be at least 15 percent.

Now figure it out. If the company had no unemployment at all it would not be possible for that company to get any reduction in rates until 1946. If you assume 1 percent in 1936, 2 percent in 1937, and 3 percent thereafter. In the first year his whole 1 percent would go to the pool. In the second year he will have two-tenths of 1 percent going to Washington and he will have credited to his account only eight-tenths of 1 percent, the other 1 percent going to the State pool. You figure that out year by year and you will see he will not get up to the 15 percent level until 1946, even assuming he has no unemployment.

My contention is no employer is going to do anything now to reduce his fluctuation of employment or to stabilize employment on the chance that in 1946 he might get a reduction in rate. I think that is obvious. That was not the intention at all of the Advisory Council's recommendation.

I want to mention again that there was a unanimous vote on our part. We felt that you should give that first entirely to the States, and we felt that you should have a reasonable reserve, but it should not be so strict as this, which would practically eliminate any possibility of the company having an incentive to reduce the fluctuation of employment or to stabilize it.

Senator COUZENS. What did you think of Dr. Epstein's comparison yesterday between this form of compensation through an insurance company which did not preserve the difference between a good man and a bad man?

Mr. FOLSOM. I want to give you, before I get to the next point, the arguments which were advanced for the pool system and the other system. You heard arguments advanced here for the pool system, and they have been advanced almost entirely by people who have had no practical experience, who approached it purely from the theoretical point of view. I studied the subject quite a long time myself. For the last 4 years I have had actual experience in our own plant in Rochester. I am also in touch with the experience in the other plants in Rochester such as Bausch & Lomb Optical Co., the Stromberg-Carlson Co., the Taylor Instrument Co., the Gleason Works, and the other companies who are in the plan. We all believe that a plan of the right sort will serve as an incentive to stabilize employment.

In our own company we have made a study of stabilization for the last 35 years. We have a very great seasonal fluctuation in the sales of our product, and yet we have been able to produce our product at a stable rate of production. This graph will indicate what we have done. This is starting in January at 4 percent of the year's sales and reaches the peak of 15 percent in July, and then it goes down to 2 percent in November, and this other line indicates the way we actually produce during the year. We build up the stock in the spring and we sell it in the summer. This is roll film that we sell in the summertime when the people are taking pictures. We have been developing this system over a period of 35 years.

There was one of our plants where we had not been able to do such a good job in stabilization. They said it could not be done, and yet when that plant on the 1st of January 1933 started to pay benefits to the people who were laid off, and the record of the benefits went to the head office, to the president of the company, that plant was very much concerned about it. They started to do a better job. They called on our planning and statistical department and that department did everything it could to help them out. As a result we have been able to do a better job in stabilizing that plant. I say to those people who say that nothing can be done about stabilization simply do not know what they are talking about. I am talking from practical experience. There may be companies that will not agree with me at all on this, but that is because they haven't tried it. If any company—I do not care what industry it is in—in normal times can do a better job in stabilization than they have

done, I do not think there is any question that the automobile industry can do a very much better job on stabilization than they have done. If the automobile industry had to pay the rate which they would actually have to pay if that did not do anything about stabilization, it would mean the people in the automobile industry would try to do everything they could toward reducing the fluctuation in employment and toward stabilizing employment. Since we adopted the plan in Rochester one of the executives of one of the large automobile companies came to me to find out if they could not adopt the same system. He showed me his employment record. I said, "You cannot adopt this plan with your record of employment." He said, "Why not?" I said, "It will just break you. You have too much fluctuation. You have a labor turnover of 100 percent a year and you just cannot do it. If you once adopt this system you will have to change your policy."

Under the "pool plan" every company has got the money in one boat; you are not going to make any particular effort to reduce your own unemployment on the chance you will help the pooled fund. On the other hand, it will have the reverse effect.

I maintain if you have a pool system, when you have to reduce your production, if you are going along at full production and have to reduce it 10 percent, you will not reduce the hours of everybody 10 percent but you will lay the people off immediately, the most inefficient people, and put them on the pool. We can always produce at lower cost by keeping the force occupied all the time. The tendency would be to reduce the force right away and you will increase unemployment. The actuaries who have estimated this thing have actually put a loading in to take care of the unemployment due to the introduction of the pool system, and the Cabinet Committee stated that the actual benefits to be paid on the individual company plan would be greater than under a pool plan, for the very reason that you have got the incentive to keep people occupied.

The CHAIRMAN. Senator Wagner, if you want to inquire at any time, you may.

Senator WAGNER. Mr. Folsom and I have discussed this.

Mr. FOLSOM. Senator Wagner, of course, is on record a number of times as stating that one of the purposes of this legislation is to serve as an incentive toward stabilization. Exactly the same proposition came up under the Workmen's Compensation Act. Although the Workmen's Compensation Act was fought by a number of employers I think he will bear me out in saying that the Chamber of Commerce in Rochester was the only body of employers in the State of New York that favored the workmen's compensation legislation.

Senator WAGNER. Yes; I can verify that.

Mr. FOLSOM. I also want to bring out the fact that I appeared here last year on the Wagner-Lewis bill, favoring the Wagner-Lewis bill at that time with some changes.

When it comes to this matter of argument for the pool system, most people think of depressional unemployment.

Now, to go back to the insurance argument: Practically all insurance is based on the risk that is involved. The rate of the premium is based on the risk. If you have got a good risk, you have a lower rate than you have on the poor risk. Again, I want to say that these people who are arguing for the pool system to a large extent have

not had any practical experience. All we ask is—and I will state it very frankly—that industry be given that incentive to stabilize. It is my firm opinion if that incentive is given the industry they can do a much better job than they have done. Some say, "Why should they not do a good job, anyhow?" Look at the Workmen's Compensation Act. Most people thought that wouldn't work, but it has done a good job, so why should not this do a good job? It was certainly good business for them to do it. I know in our own case we thought we were doing a good job in reducing accidents, and yet our accidents are now only about 10 percent of what they were back in 1911 and 1912. It has also meant that we have saved money. If we can reduce expenses or actually save money, if there is any plan that permits us to do it, we certainly try to do it. You might say that we should have done it before. Of course, we should have done it before. We did not do it because we did not know how to do it. We do it now because there is money saved by doing it. That is the same incentive. It is for the reduction of fluctuation of employment.

Now, it will not take care of the depressional unemployment. This plan is intended to cover just the type of unemployment which the company can prevent, if it has got an incentive to do it. Under this bill you are practically barring all experimentation along that line. So this plan is the one we feel; that is, I feel and a number of employers who have studied the subject feel that it is the best plan for the future.

Senator KING. The pooling plan you think rather encourages slovenliness on the part of some?

Mr. FOLSOM. Yes. Another point: It has been pointed out also before your committee by some of the theorists that a pool plan gives a better guarantee to all the workers, because you have got them all together in one pool. You know, with so much money in there it is a question of who is going to get it. Do you want to give it to the people, the casual workers who haven't any right to unemployment benefits, who are transferred back and forth because of inefficiency; the people that you will lay off first? That applies especially to seasonal industries. In England, for instance, the employees in the seasonal industries got too much from the fund and there was very little left for the other people. Under this pool system, you are going to give that protection to that type of worker. Your stable workers, the regular workers, when they are laid off, there will not be any money left in the fund, because they will be in the depression when the fund is gone.

Senator WAGNER. The depression may last longer than the fund?

Mr. FOLSOM. Sure. My whole contention is that you are placing on industry, and you should place on industry, the responsibility of giving regular work to their regular employees, to try to keep the people employed all during the year, and if you put the incentive on them they will do the job. Then the people who drift back and forth from one industry to the other—the casuals, the inefficient, those who might have jobs during very good times and no jobs during bad times—that burden should be placed on society as a whole. Industry will share the burden through taxes, but it should be borne by society as a whole. If you put the responsibility on industry, industry will see to it that there will not be as much fluctuation as there has been.

As I say, do not decide the point now. I do ask you not to bar the States from experimenting along that line. I do know in our own State of New York there has been a tremendous drive up there for that pool system, yet the employers so far haven't had a chance to do anything, they have never been consulted about it. I am hoping we can get our story across to the people in charge of legislation in Albany, so we can convince them that the best plan, as far as the reduction of unemployment is concerned, is along this line rather than the pool line.

On the other hand, I do not want to see any system adopted unless you have adequate guaranties there.

Senator BARKLEY. Have you prepared a substitute?

Mr. FOLSOM. I will just eliminate that section.

Senator CLARK. Eliminate section 608?

Mr. FOLSOM. Eliminate subsection (a).

Senator KING. The section or just the paragraph?

Senator GERRY. That is paragraph (a)?

Mr. FOLSOM. Section (a) should be eliminated entirely.

The CHAIRMAN. What page?

Mr. FOLSOM. Page 48.

The CHAIRMAN. Paragraph (a), page 48.

Mr. FOLSOM. Then there is another part of section 606 in which there is a definition, on the top of page 46. It says, "This fund shall never be less than 1 percent of the pool."

The CHAIRMAN. Where is that?

Mr. FOLSOM. Top of page 46, in parentheses on top of page 46, the second line.

The CHAIRMAN. You would eliminate that?

Mr. FOLSOM. I would eliminate that. Then, on page 49, where there is a reserve mentioned of 15 percent, I would change that to 10 percent. Now, even if it is 10 percent, you would not get any reduction for 5 years; not until 5 years after the plan, assuming no unemployment at all.

The CHAIRMAN. Make the same change on line 17, page 49?

Mr. FOLSOM. Yes, sir. Then, on page 50, section (d), that is to come out again, that 1 percent. That takes care of the plan under which you start out with the pool system. You say, after a period of years, if the company gets a good record, they can get a reduction of rates.

I would like to call your attention to the fact that that plan does not serve nearly as good an incentive as the other plan, because you simply say there, "We are going to put all the money in the one pool for 3 or 4 or 5 years, and if you have a good record then we are going to give you a reduction in rate." That is the plan they had in England. The British plan had that system—this pool system. When that time came for reduction the Government did not give a reduction.

I do not think many employers are going to do much about stabilizing if you say, "We are going to keep the money in a pool and use it for stabilizing the industry."

Also there is another very important point, and that is that the record of the companies for the last 3 or 4 years is not a good indication of what the unemployment situation in the industry really was. The heavy-goods industry, which now has a very low level of

employment, should have almost a perfect record in the next 2 or 3 years. A company which has been reduced from a thousand employees to 200 employees ought to keep the 200 people employed in the next 2 or 3 years.

The CHAIRMAN. With those suggestions, those are the only changes you would make in the unemployment-insurance plan?

Mr. FOLSOM. There is one other plan in the guaranteed-employment section. Some employers feel this will operate to assure employment rather than pay benefits, and they think you ought to have a reasonable guaranty plan. In this bill you actually say the company can set up a plan which will guarantee 40 weeks' full wages. I do not believe any company will guarantee that. You might say 40 weeks at three-fourths wages or two-thirds wages guaranteed, you might get some companies to do that, but I do not believe that very many companies would guarantee the full 40 weeks at full pay. That is the second change I would suggest.

The other change is for the same reason that this tax should not apply, as Dr. Epstein pointed out yesterday, to the whole pay roll. No bill which has been drafted in this country in any State has the tax apply on any part of the pay roll not eligible for benefits. That provision was not recommended by our council. It should be changed. You should eliminate entirely the people who were making over \$250 a month, the clause which you had in the old-age security part of the section, or you can tax that part of every person's pay which is below \$250.

We thought, that is, our advisory council did, that the latter was a better plan, because otherwise if you have a man making \$251, he does not get anything, and the \$249 fellow would get the benefit. We thought you could tax the pay roll up to \$250. You have a lot of white-collar workers who used to earn 4 or 5 thousand dollars and who are unemployed now; they should certainly be entitled to benefits up to \$15 a week, which is the maximum in most bills.

Senator KING. Assume that they are taxed up to the \$250.

Mr. FOLSOM. Yes, sir. Do not tax anybody above that, because it is obviously unfair.

The CHAIRMAN. Before you leave Washington and after you have finished your testimony, may I suggest to you that you get in touch with the experts here and with the drafting service, and draft what in your opinion meets your suggestions so that we can have the matter here in a substitute form.

Mr. FOLSOM. I will, sir; I will be very glad to.

Senator KING. Before you leave this point—is it your view that, if you have the pool, you should not make any contributions to it?

Mr. FOLSOM. I think that should be left to the States. The Wisconsin people feel very strongly that you should not have any pool at all. They want to start with these individual companies. The other people feel that it is all right to start with a pool, but to let the companies who can put up the guaranties and have separate accounts have their own account.

Starting from right now, I would not be opposed to that system of starting with a pool and letting companies have separate accounts when they put up adequate guaranties. I think in the long run the Wisconsin plan might be just as good with the proper guaranties, but I do not think we have to decide that; but I do not know that

these people in Wisconsin do not like the idea of putting anything into a pool. Personally, I do not like it either; but some States might want to require partial pooling. I do not think that should be done here. I think it is better to leave it to the States entirely. You are giving them the choice of almost everything else—the number of weeks of benefits, the paying period—and yet in the most important point you restrict them. To be consistent throughout the bill, you have to give them that choice.

The CHAIRMAN. Would you put other standards in the bill?

Mr. FOLSOM. We recommended quite a few other standards, but I understand they were left out for constitutional reasons. But on the other hand if you have the main standard in there, that they must use this money for unemployment compensation. The model bills being drafted now should serve as a guide, but I am afraid that they might have the benefits so large in some of the States that the funds will be exhausted too soon. I think it is better to let them have their own standards in this legislation.

Senator WAGNER. Would you favor the restoration of the standards fixed in the so-called "Wagner-Lewis bill" of last year?

Mr. FOLSOM. No; I prefer the standards which our advisory council recommended. They have changed it in several respects. Last year the Wagner-Lewis bill had a minimum. We feel that it is impossible to set a minimum which would apply to the whole country. A minimum which is all right for New York State would be too high for Mississippi or Georgia, for instance, but we do think you can say it is 50 percent of the normal wage.

The CHAIRMAN. Your suggestions are incorporated in the record?

Mr. FOLSOM. Yes; the Advisory Council's report is a very short report, and I hope that every member of the committee will have a chance to read that; I feel strongly that the recommendations of that report constitute the best system which has yet been advised and that was worked out by this group of 20 working for several weeks. A subcommittee of 6 worked steadily on it, with the larger committee being brought back from time to time.

Senator GERRY. Are you putting that report in?

Mr. FOLSOM. It is in the record already.

Senator GERRY. What is the name of that report?

Mr. FOLSOM. The recommendations of the Advisory Council on Economic Security. Some members of the Council have appeared before you and advocate a higher rate than 3 percent, but the Council as a whole, voting as a body, were in favor of 3 percent. We were also strongly in favor of that provision which states that if industrial production did not reach a certain level, for the first year it shall be 1 percent, then 2 percent, and then 3 percent. We think that is very important for business.

This plan is not intended to cover the present situation at all. This is taking care of the future, but we think it should be gradual. We think that is a very important point. Some are going to argue strongly otherwise next week. I understand that the labor commissioner of New York State is going to come down here and argue very strongly to have the 3 percent start right away. I think it will have a very bad effect on recovery if you do that.

Then there is the question of who should pay the 3 percent. In the first place, we think the 3 percent is adequate. The actuaries

have had very little experience to base this 3 percent on, and they have been very conservative. I feel that experience is going to show, if you have the separate account system, that your 3 percent will pay longer benefits than provided in the estimates of the actuaries, and that is based on our experience, but on the other hand I agree with the actuaries that we should operate on a very conservative basis and not get hopes up too high. You can easily extend the benefits later. So I would not have them go above 16 weeks or 18 weeks to start with.

Who shall pay the 3 percent? Naturally, there is a sharp division of opinion as to whether employees should pay part of it. I agree thoroughly with the position that the chief burden should be placed on the employers because the employers can do something about it whereas the employees cannot do anything about reducing unemployment. On the other hand I feel that a small percentage should be placed on the employee for the simple reason that he will be much more interested in the system, and he won't be looking into benefits as a gratuity but something where he has got his own money at stake. He is going to get better administration that way, less abuse, fewer people trying to get benefits who are not entitled to them, and less malingering.

Therefore, although a majority of our council voted against employee contributions, the strong minority favored it, feeling that you would get a better system if you would at least get one-half of 1 percent from the employee and 2½ percent from the employer. The bill now provides that the States can put an additional amount over the 3 percent on the employee if they want to. I do not think they will do it. In the first place, they will think that 3 percent is adequate. The only way you can get employee contribution is by putting it in here. Especially if you are going to start out in the security section with one-half of 1 percent of the employee. I do not think you are going to get any more objection from the employer. And you will get a much better system. Russia is the only country abroad that has not had employee contributions, and you will find quite a few of the labor people are for employee contributions for the simple reason that they think they will get a better system and better administration.

Senator BARKLEY. In Russia, if they had employer contribution, it means that nobody in Russia but the Government would contribute, because the Government employs everybody.

Mr. FOLSOM. Yes; that is true.

Senator KING. I have talked with hundreds of employees who were out of employment and they did not get a cent. They said the fund, if there ever was, had been consumed by the Government in liquidating some of its expenses.

Mr. FOLSOM. Those are the suggestions which I would make in the unemployment-compensation section.

I would like to take up this old-age security.

Senator LONERGAN. Pardon me at that point. What is the turnover in employment in industry in this country?

Mr. FOLSOM. It varies tremendously. In some industries it might be in 1 year as high as 100 percent. If you have a force of a thousand people, there might be as many as a thousand people leaving. On the

other hand, some companies might get a turn-over down as low as 10 percent.

Senator LONERGAN. In dealing with permanent employees, at what point would you start? Suppose we set up this system. The employer would start with the persons who have been employed by him for a certain period of time.

Mr. FOLSOM. That would depend entirely on what system you set up. If you have a pool system, you do not have any qualifying service at all, because everybody goes right to the pool and gets the money. If they have been only a few weeks in employment and are laid off, they go to the pool and get the money. But with a separate account system we should have some reasonable period of qualification before a person is eligible to give the company a chance to see whether the employee is qualified or not. Otherwise you will have your initial requirements so high that the persons who might appear to have any handicap at all might not be employed. That is a matter entirely for the States, however.

Senator LONERGAN. In separating the system of payments as suggested by you, the employer would take care of the permanent employee and then another system would be set up for the temporary employee?

Mr. FOLSOM. Oh, no. I was just saying that that would be what would actually happen in the long run. The company would still have to pay benefits to the person in short service, but it would be based on service. You pay 1 week of benefit for every 4 weeks of employment. That is in any plan, whether it is the pool plan or a separate account plan. The benefits you pay are based on the length of service of that employee. If you have a man working for 6 months, he would get 1 week of benefit for every 4 weeks that he would work. He would get 6 weeks benefits for 6 months, and a man working 12 months would get 12 weeks of benefit.

Senator LONERGAN. In the systems already existing of private concerns, they are all based on contributions of employers as well as employees.

Mr. FOLSOM. Yes. The General Electric Co. is a contributory system, 50-50. The employees put in just as much as the company. With the Rochester plan, the company pays the first amount which is up to 2 percent, but in case of an emergency like during the depression, then they ask their employee who is working to put in 1 percent.

Senator LONERGAN. I understand that less than one-half of 1 percent of the concerns in this country have such a system.

Mr. FOLSOM. There has been only about 15 companies in the country that have unemployment-benefit plans.

Senator HASTINGS. Before you leave that subject, may I ask you what you think of this? Section 602 provides that any employer may credit against the tax that is due, up to 90 percent of the tax, the amount of his contribution. If you would add right after that these words, "plus the contributions of his employees, if any", you would then leave an opportunity for the States, if they cared to, instead of us deciding it; you would leave an opportunity for the States to adopt that if they wanted to. But under this plan they cannot do it; but if they wanted to adopt your suggestion and you put in those words so that the employer would get the credit not only

for what he paid but for what his own employees paid to the fund, you would then leave it to the States. What do you think about that?

Mr. FOLSOM. Off-hand, I would not like to express an opinion. I think it might be a good way to do it, but I would like to give it more thought, and I would not like to express an opinion off-hand.

Senator BARKLEY. Let me ask you how you propose to do it with this sort of a situation. I can understand how you can stabilize your employment, because over a period of years you have a pretty good idea of the average sales of your company and the demand for your products. Take a building contractor who employs carpenters. The amount of that employment depends on the number of houses that are to be built and whether he gets the contract to build them. Let us say that an individual contractor would employ on the average 10 carpenters or more. Any one of those men working for him for a month, and then he will be off a month, because nobody is building a house. Then he may have another month's employment with another contractor, and all through the year he has that precarious employment situation. How can you deal with that, as between the employee and the employer, and as between the employer and the State?

Mr. FOLSOM. I think in the building industry or an industry like that, it would be a lot better if the industry itself would set up a fund. All of these plans provide as a separate account plan, that you can have an account with one company or with a group of employers; and I think the only way to handle that is to have a plan for the building industry as a whole in a State or in one locality.

Senator BARKLEY. But this is a bill that taxes that pay roll of that contractor if he works more than four people.

Mr. FOLSOM. Sure they are all going to be taxed all right, but as far as giving them additional credit if they stabilize, in that way you could let a company instead of having its own account, they will come in with several other companies and have a group which will cover the building industry in this particular locality; and those people, if they group in that way and keep the people steadily employed as all the building employers in that group, then they will get this reduction. If they don't they will have to keep on paying the 3 percent.

Senator HASTINGS. That is, the law might provide that the building trade of a State should constitute a separate fund?

Mr. FOLSOM. Yes. All of these State plans provide that either an employer or group of employers may set up a separate account.

Senator BARKLEY. Of course, in an industry like that the chances are much greater that the fund will be exhausted sooner than in a stabilized industry like yours.

Mr. FOLSOM. Of course, our industry is by no means stabilized. And also one of these companies in Rochester that has adopted this plan is not stable. They are making gear-cutting machines for the automobile industry. That has fluctuated if anything has. In normal times, on the other hand, employment in the building trades does not fluctuate as much as you would think it does, in times of depression. We are apt to give too much emphasis now because we see how much unemployment there are in the building industry. But in normal times the total number of people employed in the building industry does not vary so very much.

Senator BARKLEY. There is a good deal of variation at any time, isn't there?

Mr. FOLSOM. Then I believe they should get into an industry fund. But even if the automobile industry cannot stabilize so that they can prevent this fluctuation, you should not let the other industries that can subsidize the industries to that extent. If the automobile industry cannot give steady employment, they should pay some of the cost of that through a higher rate. I do not think that burden should be placed on the other industries.

Senator HASTINGS. Would you leave it to these groups to join voluntarily, or would you have some compulsory plan?

Mr. FOLSOM. I think some of the State laws provide that the Industrial Commission after adequate hearing, may compel employers in certain groups to do it.

Senator HASTINGS. But that is the only way you could make it effective?

Mr. FOLSOM. Yes. The old-age security part of this bill is naturally a complicated section. The question of pensions is naturally very complicated anyhow, and this is further complicated by the fact that we have three different sections in here. I would like to explain as briefly as I can and as clearly as I can what seems to me to be the significant facts of this thing.

Senator KING. Pardon me if I interrupt to ask you a question. Do you see any good reason why this bill should not be divided and treated separately in each of these important provisions—one dealing with old-age pensions and the other with security and so forth—take them as separate bills?

Mr. FOLSOM. It seems to me that is purely a legislative question, and I would not be prepared to answer that. I know it would certainly simplify it as far as trying to understand it. There might be very good reasons from a legislative point of view.

Senator BARKLEY. It would take about seven times as long to pass 7 bills instead of 1.

Mr. FOLSOM. I have no objection to combining them or keeping them separate.

Senator KING. Sometimes a fuller discussion is thus brought about and greater independence is manifested by persons in expressing their will if you have such separate bills than if you have an omnibus bill.

Mr. FOLSOM. It is a very complicated measure now; there is no question about that.

The CHAIRMAN. We will all agree to that.

Mr. FOLSOM. This old-age assistance part, I am fairly well convinced that we have got to do something about the old-age assistance. I think the case has been pretty well established. We have a large number of people who are now dependent. This system of old-age pensions which has been adopted in some 29 States is better than the poor house. I am speaking now on the point where the Government is going to vote a subsidy to the States with an old-age pension law to people who pass the means test. We are taking care of that question now in 29 States by these old-age assistance laws, and some of them are quite adequate and others are not. In New York State there is a maximum of about \$30 a month which is adequate, and in other States they are quite low.

Senator GEORGE. That is the highest?

Mr. FOLSOM. Yes; in New York State. In several States I think it would be entirely too high, especially in the southern States.

Senator KING. Dr. Epstein contended that to go beyond that would be unwise.

Mr. FOLSOM. Yes; undoubtedly it would be unwise. A lot of these old people are also on relief now. It is a lot better to have these people on a definite pension, these old people, of so much a month, rather than to have them depend on relief, because relief agencies might change at any time, and you don't know whether it is definite. So that I think it is all right to have these old-age assistance laws and have the people on them rather than on relief. We may expect that during the depression and because of the depression more older people have been put on relief, because the younger people in the family have been unable to take care of themselves, and a large part of the increase in the dependency has been due to the depression.

I think we must expect some sore of public assistance, but we must be very careful that we do not start out with too high a rate, because the cost goes up very rapidly. We have had estimates by the actuaries as to what this will cost in the future, and they go up at a very alarming rate for a very simple reason. Even if you had no increase at all in the number of old people in the next few years, this old-age assistance would go up fast, because you are putting on a different group of people every year. First you put on the people who are now 65, and the people at 65 will live for 11 years on the average. Next year you add another group, and they are going to live 11 years, and very few of the first group are going to die the first year. So, gradually, you are putting new groups on and the costs won't become stable until as many people die off as you are putting on, and you won't reach that point for about 20 years.

But in addition to that, you have more people reaching 65 every year, and the actuaries estimated that in 20 years from now you are going to have twice as many people over 65 in this country as you have now, so that would double it. Because of those two factors, the increase is very sharp. In addition to that, you have got to estimate how many of those people are going to be dependents. There is no reliable estimate available as to how many people are going to be dependent 20 years from now.

We do know that in foreign countries where they have pension laws, there is a high percentage of people dependent. So they have estimated that ultimately 50 percent will be given assistance. I have a chart here which indicates how fast the cost goes up.

Senator BYRD. Your committee and you think that 50 percent of those who are now above 65 years of age will be eligible for these pensions?

Mr. FOLSOM. That is a long way off.

Senator BYRD. I am speaking of today.

Mr. FOLSOM. No. This estimate now is not based on 50 percent immediately. It starts in with 15 to 20 percent and gradually goes up to 50 percent dependent. During the first few years while the laws are being enacted, there will probably not be so many on the rolls as estimated.

Senator BYRD. I am speaking of those who are actually dependent.

Mr. FOLSOM. You mean those that are dependent?

Senator BYRD. In other words, of the people in America today 65 and over, what percent of them, in your judgment, would be eligible for a pension if the legislation were to be available to give it to them?

Mr. FOLSOM. The estimates are based on 15 to 20 percent to start with.

The CHAIRMAN. Who prepared those estimates?

Mr. FOLSOM. The actuarial staff of the committee on economic security.

Senator GEORGE. Is that an estimate of the actual percentage of dependents, or the number that would actually get on the pension rolls immediately?

Mr. FOLSOM. Those who get on the rolls.

Senator GEORGE. Immediately?

Mr. FOLSOM. Yes.

Senator GEORGE. But not necessarily the percentage that is dependent?

Mr. FOLSOM. No.

Senator BYRD. The report that I assumed you signed said that 50 percent of those over 65 are dependent?

Mr. FOLSOM. That would be eventually. In 1960 it would reach that amount.

The CHAIRMAN. Give us those figures that you have there. You say immediately, 20 percent. How does it travel up?

Senator BARKLEY. Do you mean by that, 20 percent of all those above 65, or 20 percent of the dependents above 65?

Mr. FOLSOM. Twenty percent of all those above 65.

Senator HASTINGS. That would be 750,000 people approximately?

Senator KING. Doctor Witte, in my recollection of his testimony, stated that a very small percentage of those over 65 in the next few years would be available?

Mr. FOLSOM. The first few years I think 20 percent is high.

The CHAIRMAN. We did get the impression from certain witnesses here that 50 percent of those above 65 would be able to obtain this pension.

Mr. FOLSOM. I think they had in mind the estimates as the 50 percent which you would reach eventually.

Senator WAGNER. The State itself of course would have to pick out the individuals first. In the first place they would have to pass a law which would authorize the expenditures, and then the State by a means test would ascertain who the individuals are before the Federal Government is even asked to contribute anything, and at the present time only \$40,000,000 is being spent in that way. While these people may exist, it will be a long while before we will reach them all.

Mr. FOLSOM. I think the estimate during the early years of the actuaries is high, but the eventual estimates I do not think are.

Senator KING. Doctor Epstein stated, if I recall, that \$50,000,000 for the first year and \$125,000,000 thereafter would be ample, and that there would be a surplus.

Mr. FOLSOM. When you get in the future years, he is all wrong. This chart indicates how fast this cost goes up based on the estimates of the actuaries. I think it is high in the first year. It starts with \$125,000,000 the second year. For 1940, according to their estimates, there will be over \$400,000,000.

Senator BYRD. Your statement is a direct contradiction of the report of the committee or the commission. It says on page 20:

At this time a conservative estimate is that at least one-half of the approximately 7,500,000 people over 65 years now living are dependents.

Mr. FOLSOM. I am saying that not 50 percent of these people are going to be on your old-age assistance laws.

Senator BYRD. That is due to the difficulties of the legislation?

Mr. FOLSOM. No; they might be dependent on their own family. A lot of these people are dependent, but members of the family have to take care of them.

Senator WAGNER. Many of the States now, and New York is one, for instance, where although an old person may be dependent, if the child has any income above that which the child needs for its own support, we can compel that child to make a contribution toward the support of the parents, and in that way we have kept our old-age pensions down by compelling the children to carry a part of the burden.

Senator BYRD. If the child is married and has a family of his own, can you still compel him to do that?

Senator WAGNER. Yes; we can, if his means permit.

Senator KING. Most States have laws of that kind.

Senator WAGNER. We do not let him abandon the parents if he can afford to make a contribution to the parents' support.

Dr. WITTE. Gave detailed figures.

Senator BYRD. What I wanted to get from Mr. Folsom clearly is this. He thinks that this report that says that 50 percent of all dependents means that 30 percent of those will be still maintained by their relatives and children and so forth, and 20 percent will go under the old-age pension laws.

Mr. FOLSOM. They estimated 20 percent of the total, which would be 40 percent of the dependents.

Senator BYRD. There is some other testimony here that I cannot put my hands on at the moment, showing that only 15 percent of those over 65 years of age are now supporting themselves? Is that correct?

Mr. FOLSOM. Of course there is no reliable estimate on any of these. That 50 percent is not based on any actual figures.

Senator BYRD. We all know that when you start a pension system, you will go by leaps and bounds and nobody can estimate it.

Mr. FOLSOM. This chart [indicating] will show this. You start at \$125,000,000 to begin with. I think that is too high to start with, but assuming the people to go on and assuming 20 percent of the people over 65 are dependent to start with, and eventually 50 percent are going to be on the rolls, you go up to a point in 1950 to where you reach \$700,000,000; by 1960 you reach over \$1,000,000,000 a year, and eventually in 1980 it will reach \$1,300,000,000 a year.

Senator KING. The Federal contribution?

Mr. FOLSOM. Yes, sir. And of course the States will put in an equal amount. That is what you will get into with the old-age assistance law and nothing else. Assuming a maximum of \$15 and making an assumption that in 1960 half of the people will get on.

Senator WAGNER. If conditions improve, it will reduce the number of dependents in old age. There is the speculation.

Mr. FOLSOM. Yes. This is probably the maximum figure, but it is entirely within reason.

Senator WAGNER. We hope that we can improve our economic life so that the old people won't be dependent.

Mr. FOLSOM. It is based upon the experience in foreign countries where people get on it in some way or other.

Senator BYRD. In your judgment, would the minimum requirement of 65 years, under our political system, be maintained if it is made an issue in political campaigns?

Mr. FOLSOM. I think that is a danger in the law.

Senator BYRD. Won't it be reduced to 60 years in a few years?

Mr. FOLSOM. I think there is danger.

Senator BYRD. I have already received a number of letters asking that the bill be reduced to 60 years.

Senator KING. I have one asking that it be reduced to 50.

Mr. FOLSOM. Originally it was started at 70 and now it is down 5 years in a short time.

Senator BYRD. In all your estimates, you entirely ignore the political situation where all of this will be made an issue in every campaign, both as to the age and the amount of the pension.

Mr. FOLSOM. That is entirely up to legislators in the future.

Senator WAGNER. Has that been the condition in foreign countries?

Senator BYRD. Foreign countries have not the same political system that we have.

Senator WAGNER. None of them has abandoned it.

Senator BYRD. We are more responsive to those who want to draw benefits under such a system.

Senator WAGNER. It is true, though, that we are reaching a more stable population, aren't we?

Mr. FOLSOM. Yes.

Senator BARKLEY. You said it would be several years before the States can enact the necessary legislation. That leads me to ask you what your opinion is of what the justice and the propriety is of leaving this 3-percent tax on the employee pay rolls of all of the States, covering it into the Treasury, and using it for the general purposes until such a State has seen fit to enact legislation?

Mr. FOLSOM. That is on unemployment compensation?

Senator BARKLEY. Yes; but the things are linked together.

Mr. FOLSOM. I think there is objection to that, but I do not see any way out of it. I know there are a lot of good arguments for and against it. You get around that in the grant-in-aid scheme which I mentioned.

Senator BARKLEY. I wanted to ask you that question when you were on unemployment insurance.

Mr. FOLSOM. This chart shows you the danger of making the grant any higher than \$15 as a maximum because of the tremendous cost involved, anyhow, and also what you are getting into with this system. That is why the advisory council were convinced that once you started this old-age assistance scheme that you have got to start a contributory system, otherwise you are going to have a tremendous drain on the Federal Treasury. Also, we think it is very bad to have a pension system throughout the whole country in which you tell a man that "If you need anything else to live on when you get to be 65, we are going to give you up to \$25 or \$30 a month." If you have been

thrifty and saved anything, you do not get anything. That is the wrong psychology.

So that we feel that a contributory system is necessary. The big thing in a contributory system, where they are putting the money in, where workers and industry both put money in, is what you are going to do with this accrued liability, based on past service, the service which has already been rendered, because people of all ages are already in your population. If you had a group of people 25 years old starting in, they could put in a small percentage of the pay rolls and the company could match it and you would have a sound system, but you have to take the condition as it is with people of all ages. In individual companies like, well, take our own. We put \$7,000,000 into the insurance company to take care of that accrued liability.

Senator KING. For employees' pensions?

Mr. FOLSOM. Yes, sir. Individual company plans must be put on a sound actuarial basis, otherwise some time in the future you are going to have a lot more money going out than you can afford, and a company plan should be put on a sound actuarial basis.

But in the Government plan it is a different story altogether. It is almost impossible, and no country in the world has ever yet operated a scheme which is actuarially sound, if by that you mean the accumulation of proper reserves, for the very simple reason of the tremendous investment problems involved. The full reserves under this plan would be \$17,000,000,000 at the start. That is not necessary, for the very simple reason that for a long time you are going to have a lot more money coming in than the contributions from all of the people 25 years up than you will have going out to the people over 65. So it is not necessary to put that money in initially, but if you pay out any money to people during the first few years in excess of what then their employers contributions will provide, you are building up a deficit which must be made good some time in the future.

You have got several ways in which to meet this problem. In the first place you can pay out to the people in annuities only what their contributions and their employers' contributions will actually buy. In that way you will have a low pension for a long time to come. So a man now 60 years old, in 5 years, can accumulate very little on a pension. A \$100 a month man at 60 with 1 percent contributions will have accumulated at the age of 65, only about \$0.50 a month, and that won't solve your pension problem.

Your second plan is to have the Government finance all of this initial accrued liability, caused by no reserves having been put up in the past and that is not necessary because you do not need the money for a long time.

The plan which our advisory council recommends would state that you should as far as possible keep it on a pay-as-you-go basis, and not attempt to build up this huge sum which eventually would reach \$75,000,000,000. We do not see how in the world you could invest such a sum, with all the other implications involved in it. We thought that you could start in with the plan which the staff originally recommended in which a person aged 60 now would in 5 years—assuming that a man makes \$100 a month—he would have a \$15

annuity, and he actually has earned only \$0.50. So you are paying him quite a little more than he has earned. For a long time you would be taking so much more money into the system than you are paying out, that that won't cause any drain on the Federal Treasury until 1965, but from that time on, because you have paid out more money today to these people than their contribution would provide, the Government in the future has to make that good. That is probably the reason for the amendments recently suggested by Secretary Morgenthau, because they are worried about the deficit in the future from 1965 on.

I do not think anything like as much consideration has been given the disadvantages of trying to put the system on a sound actuarial basis from building up this fund of \$37,000,000,000, which the Secretary's estimates of income would be required to put it on an actuarial sound basis.

Also, if you use that fund to retire the public debt, it is putting entirely too much of a burden on this present generation. What you are doing is that you are making this generation pay not only for the old age of the people already old and who should have been taken care of by the previous generations, but you also make them pay for the full amount of their old age in the future; in other words, you are putting two loads on this present generation of workers under 45. I do not think it is at all feasible, and for that reason I am much inclined to favor the original plan which was recommended by the advisory council and by the staff rather than the suggested amendments of Secretary Morgenthau. The staff stated very clearly when we were deliberating on these things that the Treasury experts told them that under no condition, under no plan should they have the reserve reach a limit of over ten or twelve billion dollars, for we simply could not handle the investment problem. So we are very much at a loss to understand why a plan is suggested now which will involve a \$37,000,000,000 fund. They say it can be used to retire the debt. It does not make any difference how you are going to use it—the investment problem is there just the same.

Senator KING. Do you think it is possible to get a fund which will reach the magnitude that you have indicated?

Mr. Folsom. In the first place, if you had such a plan which for the first few years would result in so much more money coming in than going out, you are going to have a very strong tendency 10 years from now—

Senator KING (interposing). You increase everything.

Mr. Folsom. I will give you the figures. On the original in 1945 the contributions would be, roughly, \$500,000,000.

Senator KING. That is from the Federal Government?

Mr. Folsom. No; that is from employers and the workers. There is no Federal Government coming into this at all. This is on the contributory system.

You would have \$500,000,000 coming in, and you would pay out in benefits only \$200,000,000, which is not so great a difference; but under the Morgenthau suggested changes in 1945, within 10 years from now, you are going to be taking in \$1,200,000,000, and you are going to pay out only \$200,000,000; in other words, you are taking in six times as much as you are paying out, and at that time in 1945,

according to the Morgenthau suggestion, the balance in your fund is going to be 6½ billion dollars.

I think there would be a very great tendency to have, as early as 1945, a tendency either to increase your benefits or to cut down your rate of contribution. Then you are putting it on an unsound basis immediately.

The CHAIRMAN. You think politics would get into it then? The argument would be made that you have such a gigantic fund that the benefits should be increased?

Mr. FOLSOM. Yes. And I would like to say—I would not care to have this go on the record—

The CHAIRMAN. The reporter will not take it if you do not wish it taken.

(Off the record.)

Mr. FOLSOM. All the experts agreed that it was not at all feasible to try to get this on a sound actuarial basis, and I think the people who argue for a sound actuarial basis have not realized the difficulties involved. Just think of trying to build up this fund of \$37,000,000,000. You might say it is a good thing to wipe out debts, but that is too much of a burden on this generation.

So that what I would recommend on that point is that this committee give very serious consideration to the implications from an investment point of view, and also from the point of view of the burden on industry which you are starting in so quickly. Under this scheme you will very soon have 6 percent coming into the Federal Treasury. You will have 3 percent for unemployment compensation and 3 percent for pensions; that means 6 percent, which is taken out of the regular productive channels and sterilized here or put into a separate fund here, and I think that is too sudden a jolt.

Senator HASTINGS. That is not quite right, is it?

Mr. FOLSOM. Well, I did not mean exactly sterilized—

Senator HASTINGS (interposing). No; the figures. It is 3 percent unemployment insurance. One and a half of 1 percent is on the employer, and the employee—

Mr. FOLSOM. I am speaking of the Morgenthau-suggested changes.

Senator HASTINGS. I beg your pardon.

Mr. FOLSOM. Which goes up to 3 percent in 1940. So that in 1940 you will have 3 percent for contributory pensions and 3 percent for unemployment compensation, making 6 percent. I think that is entirely too much to take out.

Under the plan which we had in mind and which our council originally recommended and had the approval of the Cabinet committee, you start in with only 1 percent in 5 years and very gradually you went up, and it had very little adverse effect.

The CHAIRMAN. Each industry is different in the amount of its pay roll as a proportion to the cost of its production, and so forth; but, as a rule, what percentage is in the pay roll as to the cost of the production?

Mr. FOLSOM. I think, roughly, you might say it is 50 percent, but even so practically all of it is labor because, while it might be 50 percent in our company, the raw materials we buy from another company, they have 50 percent for labor; and if you work it right down, the great bulk of it is labor. So that it depends upon how you look at it. I am not basing this alone on the fact that it is going to increase

the cost of production of a company—of course, it will—but I am saying that you are going to take this 6 percent, in a very short time, out of the regular channels. Also, the investment problems involved are terrific. If you will build up this fund to \$10,000,000,000 within 10 years' time, that means \$10,000,000,000 of securities are going to be taken out of the market, and the amount of Government securities in the hands of the public are going to be affected, and you are going to make interest rates very low by artificial means.

All that I am pointing out is that it is a very grave question whether this plan suggested by Secretary Morgenthau is feasible, although, on the face of it, you are putting it on a sound actuarial basis. It is thus evident that what is sound actuarial practice for a private company is not sound practice for a government.

Even under the plan of Secretary Morgenthau you are still paying out annuities in excess of what the initial contribution will provide. But, instead of putting that burden on a future generation, you are putting a large part of it on the present generation.

In the original plan, while it called for an eventual reserve of 11 billion dollars, it could be handled from an investment point of view especially in view of the subsidies to the old-age assistance plan.

I agree that agricultural workers and domestic service should come out. Our advisory council recommended that it be excluded also. The Cabinet committee plan included them, but we think they should be excluded. Eventually they might be brought in, but right now we would cut them out.

We believe that the voluntary annuities is a good plan up to \$100 a month. That part of the scheme should be kept on an absolutely self-supporting basis, in other words, the Treasury should not sell these voluntary annuities unless they can break even, including administrative charges.

Senator KING. Why should the Government go into that?

Mr. FOLSOM. Well, you are not competing very much with insurance companies on that, and also you are going to have people who will be in this system for a short while and then out of this system, especially if you exclude domestic service and agriculture. A girl who might be in a factory, in industrial service for a time, and then in domestic service, she ought to be given a chance to buy additional annuities if she wants to. Very few people will do it anyhow. In Canada the law did allow it, but the only ones who bought it, bought it because they thought they were getting a bargain. They were allowed to buy up to \$5,000. So they changed that plan to cut it down to a maximum of \$1,200, which we recommend. But I do not think you will find very many people taking it, especially if they are priced on a self-supporting basis. But if you are going to have the Government providing these annuities at bargain rates, then you are going to have a lot of people coming in to get the bargain.

The CHAIRMAN. Do I understand you to say that the tax should not be imposed on the employer in agriculture?

Mr. FOLSOM. They would not be eligible at all.

The CHAIRMAN. How about a fellow when he got to be 65 years of age, who had been engaged in agriculture? Would he have to depend on the pension?

Mr. FOLSOM. On the old-age assistance. If he has not any means of support. That is why your old-age assistance, even in the future, is going to cost around \$700,000,000 a year, even with the introduction of this contributory system.

Senator WAGNER. Unless he had enough income to buy one of these annuities.

Mr. FOLSOM. Yes, but very few of them will. The insurance companies could not do any business unless they had agents to go out and sell it, so I do not think it is going compete. This is a type of business which the insurance companies do not go after very strongly anyhow.

Senator KING. I hate to take up your time, but I do not quite understand why the Federal Government should be selling annuity policies.

Mr. FOLSOM. Only to take care of the people once in the system and who are going out, and they might want to keep up their contribution. That is the main purpose of it.

The CHAIRMAN. All right; proceed.

Mr. FOLSOM. The next question is the question which Senator King asked about the company plan, the effect that this plan would have on the individual company plan; especially the companies that have sound pension plans. There are two ways in which you can take care of that. We have had experience in several countries abroad with this problem, where we have our own pension plans, and where the governments came in.

Senator KING. When you speak of pension plan, which are you speaking of?

Mr. FOLSOM. Just the annuity plan. Not the unemployment schemes at all; just talking about the private company pension plans. This proposed Government plan covers people only up to \$250 a month. A company which has a plan already, covers the whole pay roll—everybody. They usually have a maximum, though.

Those people in the plan in the future would be taken care of in one of two ways; first, you can just continue the company plan and the money which has already been put up with insurance companies would still be left there and the people would still be entitled to all the annuities which went into it, but from now on instead of paying the entire 3 or 4 percent into the insurance company you pay part of it to the Government on the Government scheme and part to the insurance people. For the people over \$250, you would still put all of the money into the insurance company. Eventually, especially with the Morgenthau plan, the companies will be putting, for people under \$250, almost all the money with the Government, and then those people who will get all of their annuities from the Government. But for a long time the employee when retired will get part of the annuity from the insurance company and part from the Government. That is one way you can do that, looking at your system as supplementary to the Government system.

There is another plan which could be adopted and which I think I would offer as a choice for the individual companies, and that is that if an individual company scheme meets certain requirements and specifications set up by the administrative agency, that they be permitted to operate their own system. It would be specified that

when anybody leaves their company before retirement then the company must provide that man with annuities which he would be eligible for under the Government scheme; in other words, the company would either give him a paid-up annuity or have transferred reserves from the insurance companies to the Treasury. Of course that will cause administrative questions, but on the other hand it will cut down quite a lot of administrative work in Washington if you have these companies handle it themselves.

I believe the bill should permit such a choice being given. I do not think you will have to put all of the administrative details in this bill. Especially would I recommend that system if you make the amendment which Secretary Morgenthau suggested, because if these company funds are inverted with insurance companies, that means it will take just that much money from the investment problem in Washington, and the insurance companies can invest it in other channels, industrial, railroads, and so forth.

Senator HASTINGS. Before you leave that, is not that last suggestion which you made—would the result of it not be that the company was taking care of their own but was sharing no part of the burden of the old-age pensions generally?

Mr. FOLSOM. Well of course under this scheme of the contributory system, each company puts up half the cost and the employee puts up half, and the company would still have to pay just as much money in, and most of these company plans would be paying out more than under the Government scheme, so they are not getting out from under anything. If you let these people lay them off and not pay anything, they would be getting out from something. But they are paying just as much under one system as under the other. Most of these company plans are more liberal and they should be more liberal. I do not think the Government contributory plan should attempt to cover anything more than a minimum.

Senator HASTINGS. I got the impression from your statement that one of the ways in which the company and its employees could protect itself grows out of the fact that they are now contributing more than this and they could merely take that much away from what they are now contributing, and leave themselves in the same financial position, that they were before.

Mr. FOLSOM. I am mentioning two plans there. Under the first scheme, they put part of the money into the insurance company and part to the Government. Under the second scheme they put it all to the insurance company, but when a person left their company, they would have to give the person a paid-up annuity or take the reserve from the insurance company and give it to the Government. The administrative agency would have to see that no company got away with anything and they would have to meet certain rigid requirements fixed by the administrative agency.

The CHAIRMAN. Let me ask you a question before Senator Byrd leaves, because he is interested in this. This definition of those who are entitled to get assistance "compatible with decency and health," was there much discussion with reference to the definition?

Mr. FOLSOM. No; we did not discuss that very much. I am inclined to think personally, without talking it over with any of the Advisory Council, that that is a matter which should be left more or less up to the States.

Senator CLARK. Under this bill, it is left entirely to the Federal administrator?

Mr. FOLSOM. I am inclined to think it should be left to the States. I do not think anybody in Washington can say what is a proper level of decency in Utah, Mississippi, or any other State.

Senator BYRD. The Federal administration is given the arbitrary power to discontinue the allotment to any State which does not meet those standards.

Senator WAGNER. That is the old-age system.

Senator BYRD. The same provision applies to dependent children and other things throughout the bill.

Mr. FOLSOM. We simply made general recommendations. We did not have a detailed bill before us.

The CHAIRMAN. What is your reaction as to that?

Mr. FOLSOM. I do not see why that matter should not be left to the States, myself.

The CHAIRMAN. Would you lay down any definitions with reference to this?

Mr. FOLSOM. I am inclined to leave it up to the States.

Senator BARKLEY. I do not recall that there is anywhere any legal definition of "decency." I am wondering just really what that does in the way of fixing a standard.

Mr. FOLSOM. I am not sure either that this matter should be left up to one individual. I am inclined to think that a board would be a better method of handling it.

The CHAIRMAN. There might be some difference of opinion as to what is "good health."

Mr. FOLSOM. There is all the chance in the world for argument, and I do not see why that is not a matter for the States anyhow. If the State is going to pay half of the cost, I do not see why they should not have some say as to what they will pay.

Senator KING. It is just as difficult to define that as to define what books should come to the United States, or as to alleged moral or immoral features or the decency or indecency in them.

Senator WAGNER. In connection with that, may I just ask this question. I think we can easily reach an agreement on the matter that was just brought up, but should not the Federal Government before it pays this money, have some sort of a report so that they may ascertain whether the States provide a means test and all of that?

Mr. FOLSOM. Oh, yes; I think you should get all of the reports and try to check up and jack up some of the States on it, but I can see all sorts of possibilities for arguments in that particular provision now.

Senator WAGNER. May I ask just one further question and then I won't bother you any more? On the so-called "recommendations" of Secretary Morgenthau, that would result, would it not, in the first place, in addition to the difficult question of investment which most people that have been studying this question think more difficult even than the question of future contributions of the Government; that is, one difficulty that would result, and the other is, and you did indicate it, that the present generation would have to carry this burden of assistance which has been neglected so long and it would result in these younger workers when their time came to pay their pensions, in

getting less than an earned annuity. That may very well happen if we keep the present system.

Mr. FOLSOM. They would be contributing something, but not very much more; but they figure this rate would eventually go up to 6 percent. The actuaries figure that the younger fellow might be able to build up his annuity at 5 percent.

Senator WAGNER. Somebody must make up this difference, because we are going to give the older people more than they have earned. But someone must make up the difference.

Mr. FOLSOM. The first plan said the Government should make up the difference after 1965. People are very much alarmed over that deficit. I imagine that if you did not do anything at all the people in 1965 would have to take care of a much greater load than the deficit under this plan. And the accumulated deficit by 1980 to the Federal Government under this contributory plan is less than it would be if you had only the old-age-assistance plan. I do not think these points have been clearly enough understood.

The CHAIRMAN. The committee thanks you very much, because your statement has been quite illuminating and helpful, and no doubt the committee will want you to stand around.

Mr. FOLSOM. I will be very glad to at any time.

The CHAIRMAN. Some of the members may want to confer with you.

Mr. FOLSOM. I have some charts which I did not explain, but which I will be glad to explain to you.

Senator BYRD. I would like to compliment you, Mr. Folsom, for having given us one of the clearest statements I have heard.

Mr. FOLSOM. Thank you.

Senator KING. When you have nothing to do before the committee here, the District Committee room will be available, and some of us may want to confer with you there.

Mr. FOLSOM. I will be glad to stay over tomorrow anytime, or any other time you want me to. I have spent a great deal of time on this and I will be glad to spend some more time if you think it will be of assistance to the committee.

The CHAIRMAN. I would like to get you and Dr. Epstein together, myself.

Mr. FOLSOM. We do not agree on all these things.

SUPPLEMENTAL STATEMENT TO SENATE FINANCE COMMITTEE BY M. B. FOLSOM, ASSISTANT TREASURER EASTMAN KODAK CO., MEMBER ADVISORY COUNCIL ON ECONOMIC SECURITY, RE UNEMPLOYED SECURITY BILL, S. 1130, FEBRUARY 8, 1935

I am glad to appear before your committee. I am a member of the Advisory Council on Economic Security appointed by the President, and assistant treasurer of the Eastman Kodak Co. My views on unemployment compensation and old-age pensions are based upon a study of these subjects extending over a period of years and upon practical experience from the operation of such plans in our company. Through our companies in foreign countries we have also had experience with the governmental insurance plans abroad. I have also been in close touch during the past 4 years with the operation of the Rochester unemployment benefit plan.

At the outset I would like to call your attention to the fact that many individual companies throughout the country have already adopted employee benefit plans in order to provide greater security for their workers. Thus, 400 companies have adopted old-age-annuity plans, 300 of which are backed by reserves in the hands of life-insurance companies or other trustees.

As an illustration, the Kodak Co. has benefit plans which include a wage dividend, sickness benefits, disability benefits, retirement annuities, life insurance, and unemployment benefits. The entire cost of all of these benefit plans is borne by the company, with the exception of a provision for an emergency contribution by employees under the unemployment benefit plan. The cost of these plans as a percentage of pay rolls is greater than that contemplated in the proposed legislation.

These plans were adopted by this and other companies not from any paternalistic or charitable point of view but as a matter of good business. It was felt that these plans would be advantageous to the workers, to the stockholders, and also to the community at large. Many years' experience has confirmed this opinion. To illustrate, with an annuity plan we are able to retire workers after they have passed their period of usefulness and are able to replace them with more efficient workers and to improve the morale of the whole organization. In the long run these advantages will offset the cost. Since the adoption of the unemployment benefit plan there has been a greater incentive throughout the whole organization to reduce fluctuations in employment. Savings which result from providing steadier work will offset the cost of the benefits which are paid to workers who might be laid off.

It was the hope of many in industry that voluntary adoption by companies of annuity and unemployment plans would increase and become sufficiently widespread so that legislation would not be necessary or else postponed until we had a wider experience in this country. It is interesting to note that there has been a considerable increase in the adoption of industrial pension plans in recent years, even during the depression. The financial problems faced by most companies during recent years, however, have been such that the voluntary adoption of these plans on a large scale could hardly be expected. We, therefore, have reached the conclusion that legislation is necessary to provide this security for workers in general. We hope that the legislation will be such that it will accomplish this purpose without, at the same time, involving serious disadvantages to industry and commerce and without too large a proportion of contributions being spent for administrative purposes. We know that in some of the foreign countries such a large bureaucracy has been built up to administer the plans that the benefits actually received by the workers are considerably less than they should be.

We are in sympathy with the general aims and purposes of this bill. We would, however, recommend certain changes in the unemployment compensation and old-age security sections which, in our opinion, would enable it to better accomplish the purposes in view.

EMPLOYMENT COMPENSATION

Since 1931 seven companies in Rochester, employing 13,000 workers, have operated an unemployment benefit plan. Each company has accumulated its own reserve fund, the amount of the annual appropriation depending upon the experience of the company, with a maximum of 2 percent of the pay roll. Since January 1, 1933, benefits have been paid to workers laid off or those working on part time below a specified amount. Payments to date by most companies have represented only a small portion of the fund accumulated, and the companies already have a substantial fund available for the future.

The experience of these companies—it is probably the best actual experience with unemployment compensation we have in this country—would indicate that the plan is practical and that the maximum contribution of 2 percent would be sufficient for the benefits fixed in the plan—2 weeks' waiting period, maximum of 13 weeks' benefits of 50 percent normal pay, and a maximum of \$18.75 per week.

The rate of contribution was fixed only after several companies had made a study of their employment record over a long period of years. A lower rate than 2 percent was found sufficient for some companies because of their work in stabilization. The Kodak Co. has been working on stabilization methods for 35 years, and as a result shows comparatively little fluctuations in employment in normal years, although faced with a very difficult seasonal fluctuation in sales.

The experience already indicates that with the plan in operation greater effort is made by the entire organization of a company to plan better, to spread work, and to adopt other means to prevent layoffs in order to avoid paying unemployment benefits for which nothing is received in return. The total layoffs in 1933 and 1934 by the 7 companies have been only 477—337 in 1933 and 140 in 1934—in a force of 13,000.

We are convinced of the desirability of the general adoption of unemployment compensation plans, but feel that the kind of legislation enacted is very important.

As a member of the Advisory Council, I have heard the arguments offered by the various members of the staff relating to a Federal system of unemployment compensation and the two types of Federal-State systems. There are many arguments for one Federal system, but the compelling argument against it is that it is almost impossible for any group to devise one plan which would be workable or desirable for the whole country with conditions so different in the various sections. Because of the very limited experience in unemployment-compensation plans, it is very desirable, as the President indicated in his message to the Economic Security Conference, that we experiment with different plans. If a Federal system were adopted we could experiment with only one plan.

Several of us on the Advisory Council, a majority, in fact, were in favor of a grants-in-aid plan rather than the plan provided by this bill. We felt that under the former system it would be possible to set up industrial plans covering more than one State, and that an entire industry could do a better job in stabilizing and reducing unemployment than individual companies in any industry could do in individual States. We thought there should be experimentation along industrial as well as State lines. It was also felt that the workers would be better protected because more minimum standards could be included in the Federal law under the grants-in-aid plan than under the proposed plan. There would still be considerable freedom to the States, but only above certain minimum standards. We appreciate, however, that there are also good reasons for adopting the proposed type of bill.

The Advisory Council recommended a number of minimum standards which it felt should be incorporated in the Federal legislation regardless of the type of plan decided upon. These standards related to number of weeks benefits, the amount of benefits, the waiting periods, etc. We understand that one reason why these standards were omitted from the bill was the possibility of constitutional objections.

There are certain other specifications imposed upon the State legislation in the present bill which are just as much regulatory as the standards the Advisory Council recommended and would, it seems, run into the same constitutional question. Some of these specifications also restrict, in a large measure, the freedom of the States to experiment and are otherwise objectionable.

Referring to section 407, subparagraph (a) (4) and also section 602, subparagraph (b), it is required that all unemployment compensation must be paid through public employment offices of the State. If this means paid "by the public employment office", it seems to us that this is a matter which should be left to the States to determine. If the State should desire individual companies to pay unemployment compensation direct to their workers, they should be permitted to do so. This would simplify the administration and would reduce the administrative costs to the State government. The States generally permit self-insurers to pay workmen's compensation claims direct and the situation would be quite similar for unemployment compensation. Records of payments, of course, would be sent to the State agency and claims handled through the agency.

Section 608 requires as conditions for obtaining the additional credit allowance that at least 1 percent of the employer's pay roll must be contributed to a pooled fund in the State, that the full payment of compensation must be guaranteed, and that no reduction in contribution will be permitted until the reserve account reaches 15 percent of the total pay roll. In his message to Congress on January 17, 1935, the President stated that:

"An unemployment-compensation system should be constructed in such a way as to afford every practicable aid and incentive toward the larger purpose of employment stabilization * * *.

"Moreover, in order to encourage the stabilization of private employment, Federal legislation should not foreclose the States from establishing means for inducing industries to afford an even greater stabilization of employment."

It is my opinion, which is shared by many others who have been working on the plan, that the provisions in section 608 of the bill for all practical purposes do "foreclose the States from establishing means for inducing industries to afford an even greater stabilization of employment." If these provisions are allowed to stand, reduction in contribution, which an employer might receive because of good employment record, is so distant in the future that there is

practically no incentive for him to stabilize. If we assume that the rate will be 1 percent in 1936, 2 percent in 1937, and 3 percent thereafter, and that 1 percent is paid each year into the pooled fund and 0.3 percent into the Federal administrative fund, the reserve account of an employer would not reach 15 percent until 1946 and he would not receive any credit for good employment record until that time. Obviously an employer would not do very much about stabilization in 1936 and 1937 on the chance that he might get a reduction in his rate in 1946. These provisions would also make it very difficult for smaller companies to receive a reduction in rate because of inability to furnish the required guaranties.

These provisions are not at all in accord with the recommendations made by the Advisory Council on Economic Security, on which were representatives of employers, labor, and the general public. (There were 5 employers, 5 labor representatives, and 10 from the general public.) We were in accord with the President's message to the Economic Security Conference that the States be permitted to experiment along different lines. These provisions cited above practically bar States from experimenting with a system of separate accounts and will prevent experimentation in the one field which employers who have had experience with unemployment-benefit plans feel is the most promising one. We want to try to reduce unemployment in the future and not to pay benefits. We are convinced that with the proper incentive considerable progress can be made in this direction.

The plan which the advisory council recommended and which was acceptable to the labor and public representatives, as well as the employer representatives, provided that the States could adopt State-wide pooling of funds, a separate account system, or a combination of the two. In case a separate account system were adopted we recommended that the employer to obtain a separate account be required to put up adequate financial guarantee while his account was being built up and that no reduction in rate be allowed until his reserve was adequate. The provision that all funds are to be invested by the Federal Government and that adequate guarantees must be put up by the companies with separate accounts, overcome many objections which have been offered to the separate-account system. We feel that if a State wants to permit separate accounts under these conditions, that it should be allowed to do so. We would, therefore, recommend that subparagraph (a), section 608, be eliminated entirely, that corresponding change be made in definition under paragraph 606, and that the amount of the reserve be changed from 15 to 10 percent of pay roll.

We realize that there is a decided difference in opinion as to the two principal systems of unemployment compensation—the pooled system and the separate-account system. Many of the experts and those who are approaching the subject from a theoretical point of view favor the pool or so-called "insurance system" on the theory that unemployment is an insurable risk; to get proper coverage you must pool all the risks and make them all pay the same rate. Practically all actuaries contend that unemployment is not an insurable risk. Even if it were, there is no reason why rates should not vary according to the risk as in all other forms of insurance.

We thoroughly agree with the theory back of this bill that unemployment compensation should cover only a limited period. We agree with the great majority of actuaries who contend that unemployment is not an insurable risk, and are glad that this bill does not attempt to handle the problem as insurance.

These experts also contend that individual employers cannot do anything about reducing the fluctuations of employment and that there is thus no need for offering an incentive for stabilization. Many do not agree with them. One of the chief purposes of this legislation, as advocated by the President, Senator Wagner, and others in the past, is that there should be incentive for employers to reduce unemployment. That should be the goal rather than the actual paying of benefits. The straight pool system under which all employers contribute at the same rate cannot serve as an incentive to stabilize. On the other hand, it will change the whole employment policy of a company and will undoubtedly result in greater layoffs during the early stages of a depression. There will be no incentive for a company to spread employment, and when it is necessary to curtail production the least efficient workers will be laid off immediately and the other workers kept on full time. The actuaries, we understand, have assumed that under a pool plan an allowance must be made for an increase in unemployment. The report of the security committee pointed out that larger benefit payments are possible under the separate accounts system.

Those who contend that nothing can be done about stabilization have in most cases had no practical experience. The companies with unemployment benefit

plans in operation all state that they do serve as a strong incentive to stabilize. This has been the case in Rochester. Even those companies which previously had a good record in employment stabilization have found that they could do a better job. This has already been the experience in Wisconsin, where the law only went into effect in July 1934 and benefits are not yet payable. (The present "Wisconsin plan" could, of course, not operate under the provisions in this bill.) We feel that if the employer has an incentive, and the only incentive which really counts is the possible reduction in his rate, the great majority of employers can do a better job than they have done and that much steadier work will be provided to a great many workers. We feel that progress can be made in this direction exactly in the same way that self-insurers under workmen's compensation have reduced accidents in recent years. If a company or industry can provide steadier work, it will generally result in lower costs—a steady worker can produce more per hour—and lower prices to the consumer. Thus all three interests benefit—the worker, the employer, and the consumer.

Those, including some employees, who say that individual employers cannot do anything about unemployment generally have in mind deep depressional unemployment. The plan set up in this bill is not intended to take care of depressional unemployment but only unemployment during normal times, minor depressions and the first year of a deep depression. It is this type of unemployment which an individual company can do much to prevent. If this can be done, a larger portion of the fund would be conserved for the depressions and would serve as a better means to prevent the depression from going so low. Companies can also do a better job with depressional unemployment.

The employers on the Advisory Council do not take the defeatist attitude that nothing can be done but ask that industry be given some incentive to reduce unemployment. We would therefore strongly urge that these changes be made in the bill so that the States will not be prevented from offering the incentive the President urged in his message. We don't ask you to decide between the two plans but to permit States the freedom to select the plan they desire.

The provisions in section 606, relating to guaranteed employment, require such high guaranties that extremely few companies are likely to take advantage of this provision. Many thoughtful employers consider the guaranty of employment very promising. Some progress has already been made in Wisconsin, where a reasonable guaranty of employment plan is permitted. It is better to assure employment than to pay benefits. The Advisory Council recommended that a guaranteed employment plan should be permitted in the States if at the first of the year employment were guaranteed for at least 55 percent of a year's work. We would recommend that this condition be changed to permit guaranty plans if 30 weeks of full wages were guaranteed or 40 weeks of only three-fourths wages. Such a plan would actually provide greater benefits than the compensation plan.

Referring to subparagraph (d), section 608, it is recommended for the same reasons as given above that the compulsory contribution to the pooled fund be eliminated and also that variations be allowed at the end of 3 years after contributions are first paid instead of 5 years. The States could still require either or both of these conditions but they should not be made compulsory. It should be emphasized, however, that this so-called "merit rating pooled fund" system cannot serve as nearly so good an incentive to the employer to stabilize. There is no assurance that he will actually receive the reduction even should his employment record be good. England had such a provision in their unemployment insurance plan but it was never put into effect.

Ten percent would seem too high for the administrative costs of the plan. This should be considered a maximum and not as a regular charge.

The bill as it now stands imposes a tax on the total pay roll of employers. While there are no standards in the bill as to employees to be covered under the State bills, practically all the State bills which have been proposed cover both for tax purposes and benefits only workers who receive less than \$50 per week. Under the Wagner-Lewis bill of last year, the tax applied only to the wages of those eligible for unemployment compensation and did not apply to any part of the wages of those receiving over \$250 per month. In order to simplify the administration, our Advisory Council recommended that the tax should apply to the first \$50 per week wages of everyone and that everyone should be eligible for benefits with a maximum of \$15 per week. It is obviously unfair to have the tax apply to that part of the pay roll which cannot be considered for benefits. In the Old-Age Security section of the

proposed bill employees receiving over \$250 a month are excluded entirely, both for contributions and benefits. We therefore recommend that either this provision be adopted in the Unemployment Compensation section of the bill or, if desirable for administrative purposes, the first \$250 per month of all employees be included in the pay roll subject to the tax.

The bill as proposed places the tax entirely upon the employer. Therefore the only way in which the plan can be made contributory is to have the States place an additional tax on the employees. We feel that the 3-percent rate is entirely adequate to set up an unemployment compensation system to achieve the purpose which this bill has in mind, that is unemployment during normal years, minor depressions and the first stages of a deep depression. Based upon the experience of the Rochester companies, the 3-percent contribution should provide, with a 4-week waiting period, longer benefits than the actuaries have estimated. The actuaries have very meager data on which to base their estimates and I am in accord with the conservative position which they have taken. I believe, however, that with a system set up to provide the incentive to reduce unemployment, the experience will show that the 3-percent rate will give longer benefits than the actuaries have estimated.

Although some members of the Council have recommended to you that a higher rate be assessed, I would call your attention to the fact that the Council as a body recommended the 3-percent rate. The employers and many others on the Council feel this rate is adequate and in addition that it would be detrimental to business in general to impose a higher rate. We also consider it very important that those provisions be retained which assesses lower rates in 1936 and 1937 if business does not recover to a stated extent.

Although a majority of the Council voted against employee contributions, many of us thought that the plan would be more successful if the employee contributed a small amount, say one-half of 1 percent. We agree that the first charge of unemployment compensation should be on the employer as he can do something about reducing unemployment while the employee can do very little. Employee contributions, however, would provide more effective administration and would cause the worker to regard the plan as partly his own and not as something given to him as a gratuity. It would thus operate to prevent malinger and similar abuses. In all the systems abroad, with the exception of Russia, the employees contribute.

Referring to section 602, subparagraph (d), which reads in part as follows:

"Compensation is not denied in such States to otherwise eligible employees for refusing to accept new work under any of the following conditions * * *

(3) if acceptance of such employment would either require the employee to join a company union or would interfere with his joining or retaining membership in any bona fide labor organization."

The Advisory Council recommended a different wording for this condition which seemed fair and impartial and reads as follows:

"If acceptance of such employment would affect the applicant's right to accept or refrain from accepting or retaining membership in or observance of the rules of an organization of employees."

We recommend this change be made.

SUMMARY OF CHANGES RECOMMENDED IN UNEMPLOYMENT COMPENSATION

1. Payment of benefits direct by companies with separate accounts should be permitted.

2. In order that a real incentive be furnished employers to stabilize, the compulsory pooling features of the bill should be eliminated and States should be permitted to establish the separate account system under adequate guaranties, and employers with separate accounts should receive a reduction in rate after their reserve reaches a reasonable amount.

3. Guaranteed employment plan should be permitted if 40 weeks of work at three-fourths of full wages, or the equivalent, are guaranteed.

4. If a State wishes to establish a pooled system with merit rating, a reduction in rates should be permitted within 3 years.

5. The pay-roll tax should apply only against that part of the wages which are considered for benefits; i. e., the first \$250 per month.

6. Employees should contribute one-half of 1 percent of pay roll and employers 2½ percent; the employees would become more interested in the plan, would provide more effective administration, and prevent abuses.

7. The wording of the clause relating to employee organizations should be changed to the impartial wording recommended by the Advisory Council.

OLD-AGE SECURITY

The subject of pensions is a very involved one and with the complicated sections in the proposed bill, setting up three different forms of old-age security, it is difficult to get a clear idea of the provisions and the ultimate effects of the bill. To simplify the problem for my own study I have prepared a number of charts which are based upon the studies made by the actuarial staff, and which I am glad to present to the committee. In general, we are in favor of the three-point program recommended by the committee on economic security and the old-age security section of this bill. There are certain changes we would suggest.

Very strong arguments can be made for providing pensions in a systematic way to aged persons who have no means of subsistence. A larger percentage of these people are more dependent than formerly, due in part, but not wholly, to the depression. Due to the depression it has become more and more difficult for the children to take care of the aged, which has thrown a larger number of these people on relief. A number of the middle-aged people have lost their savings during the depression and it will be difficult for many of them to make up this loss before retirement age. The difficulties of the older worker in industry have been greatly exaggerated, as surveys of the security committee show that the percentage of lay-offs among older workers is much lower than among younger workers. It is true, nevertheless, that when an older worker loses employment it is difficult for him to find reemployment. It must be expected that many of the older group now among the unemployed will find it difficult to get jobs even when normal business conditions return. It would therefore seem that this country is facing, as practically all other countries in the world have faced, the pension problem.

The first step has already been taken by 29 States inaugurating a system of old-age assistance, giving stated amounts to the aged who have no means of livelihood or very limited means. The poor-house method of taking care of this problem is not a desirable one and is probably more expensive than the assistance method.

The total amount of the grants under the present State plans would be considerably larger if many of the aged were not on relief rolls of local governments, State and Federal Governments. The Government, through relief, is already giving assistance to many of these people. Granting of pensions is a more systematic way of meeting the problem and provides greater sense of security to the aged. The Federal bill will also raise the standards in some of the States. The average grant is now \$19.74 per month.

The actuaries have estimated the cost to the Federal Government of these grants—the annual appropriations increase at a surprising rate. This is due partly to the fact that the number of old people in the country is gradually increasing, but largely to the fact that for many years more people will be added to the rolls each year than are taken off. The cost will not become stabilized until the population has been stable and until the number of pensioners who die each year equal the new pensioners who are added. Actuaries estimate that in 25 or 30 years the actual number of old people will have doubled, even should there be no further decline in the mortality rate. Another important factor in estimating the amount of the Federal subsidy is the dependency ratio used. There is very little basis for estimating dependency in the future, and I feel the estimates used are probably maximum. Chart no. 1 shows the amount of Federal subsidy to the old-age pension assistance plan, assuming there is no contributory system in effect. It is evident from this chart that the subsidy of the State old-age pension plan will, in the course of a few years, involve a heavy drain upon the Federal Government, reaching one-half billion dollars in 1945 and over a billion dollars by 1960. This heavy drain upon the Federal revenue is one of the principal reasons why once the State and Federal Governments have embarked upon old-age assistance plans it becomes necessary to adopt a contributory system. Also, it would be bad psychology to have a pension plan in this country based on the principle that a person with no means of subsistence would receive a pension and those who had been thrifty would not receive one. Under a system of this sort only a minimum pension could be granted, because of the tremendous cost involved in granting a more adequate pension. For the same reason it would also be necessary to apply the means test. The tremendous cost involved in increasing the amount of these Federal grants above \$15 per month is obvious from a study of the chart, and we would not favor any larger grants.

These are considerations which led the Advisory Council to accept the recommendation of the technical staff that, simultaneously with the adoption of the assistance plan, a contributory annuity system be inaugurated. In considering a sound plan of annuities, either for a company or for the whole country, it is important to realize that there is a large accrued liability existing at the time that a plan is inaugurated. A group of people starting in an annuity plan at age 20 or 25 could finance a pension plan on a sound basis with annual contributions of modest sums. We are faced, however, with the situation as it exists in which there are people of all ages. (In the case of the Kodak Co., at the time our plan was inaugurated in 1928, we paid to the insurance company over 7 million dollars to take care of the accrued liability which covered service rendered by employees prior to the adoption of the plan.) The actuaries have estimated that under the contributory annuity plan recommended, this accrued liability to the Government would be about 17 billion dollars. Obviously it is not necessary for the Government to put this sum into the plan now because the payments which are to be made will be small for a number of years. This sum could be spread over a period of years but again the actuaries point out that this is unnecessary because the income will be sufficient to pay the annuities for a long time. They therefore discarded the plan under which the whole accrued liability would be financed initially by the Government.

The second plan which could be adopted was to pay out to the individuals in annuities only the amount which they actually earned through their own and their employers' contribution and to keep the plan on an actuarially sound basis. This would result in very small annuities for many years and would also result in an accumulation of a very large reserve amounting, it is estimated, to \$75,000,000,000. It would be very difficult, if not impossible, to invest this huge sum. For many years, because of the small annuities, the pension problem would not be met. The plan which was finally recommended by the committee and staff and approved by the Advisory Council and Economic Security Committee was a compromise plan between these two extremes—partly pay-as-you-go but also accumulating a reasonable reserve, but not the total reserve. This will help solve the pension problem and prevent the accumulation of too large a reserve. At the same time it means that the Federal Government at some future date, beginning, it is estimated, in 1963, will find it necessary to make up the deficit caused by the middle-aged and older people during the first years of the plan drawing out in pensions more than they earned. The charts show how these various factors work.

It should also be pointed out that with this plan in operation there would be a considerable reduction in later years in the amount of money which it would be necessary for the Government to give the States to subsidize the assistance plan. The difference between the subsidy with and without a pension plan can be considered as savings, due to the inauguration of a contributory system. These savings should be compared with the deficit which the Federal Government will later have to make up, due to paying the older people more than they earned during the first years. Upon making this comparison it is found that up to 1980 the cost to the Government under the combined insurance and assistance plan will be less than under the assistance plan alone and we would have had a good pension plan all during that time.

I have not had an opportunity to study carefully the changes in the bill recommended by Secretary Morgenthau. With two of these suggestions I am in accord. In the plan recommended by the Advisory Council, domestic servants and agricultural workers were excluded because of the tremendous administrative difficulties involved. It was felt that these might later be included if the administrative difficulties could be overcome. We would, therefore, agree that these groups of workers should be excluded from the present bill.

I would also agree with the suggestion that the sale of voluntary annuities be transferred from the Social Insurance Board to the Treasury Department. We see no serious objection to having these annuities sold, provided the amount sold to any one individual is limited, as the bill now provides; and also provided that this part of the plan is self-supporting and will not involve any cost to the Government.

I am not inclined to agree with the suggestion that the rates of contribution be increased to the extent suggested. I think that too great emphasis has been placed on the deficit which must be met by the Government 35 years from now and that not enough attention has been given to the investment problems involved in handling tremendous reserves of \$37,000,000,000 which will be built

up under the proposed amendment. Even if it is used to retire the Government debt, it is too much of a load to put on the present generation that must also bear the load of pensions to the aged of the present generation not provided by the previous generation.

Most actuaries and students feel that you cannot consider the Government plan on the same basis as the company plan. While it is unsound to have a company plan on anything but an actuarially sound basis, the difficulties involved in putting a Government plan on an actuarially sound basis are so great that a plan on a pay-as-you-go basis is the more practical one. Under the original plan recommended by the advisory council, the reserve would reach \$11,000,000,000, but this fund could actually be used to finance the Federal subsidies to the State old-age assistance plans. Under the proposed plan, the reserve will reach \$6,000,000,000 in 10 years, \$15,000,000,000 in 15 years, and \$37,000,000,000 eventually. Even if the fund were used for payment of the subsidies to the States, it will still reach a large sum.

When the reserve fund reaches the 10- or 15-billion-dollar level during the early stages and the income is far in excess of the benefit payments, there will be a strong tendency either to enlarge the benefits or to reduce the contributions, with a resulting deficit to be met by the Government in later years.

The original plan had the big advantage of going into effect gradually over a period of years, with little danger of an adverse effect on industry and commerce. The proposed plan, together with the 3 percent tax on unemployment compensation, will soon take a very large sum away from regular consumption channels, with a possible depressing and deflationary effect.

It should be pointed out that under the proposed plan, the older workers are still to be paid annuities in excess of what their own and their employers' contributions will earn. Instead of placing this burden on the Government in future years, the proposed plan puts it on the younger workers and on industry at present.

I would therefore recommend that the committee give very serious consideration to the implications involved in building up this huge fund and to the depressing effect on business of increasing the tax rates so quickly.

An important consideration is the possible effect of this proposed governmental plan upon the industrial pension plans already in effect. Most of these plans provide more liberal pensions than the Government scheme will provide for many years and also cover people in the higher wage groups who are not covered under the proposed Federal plan. These plans provide security to a larger number of workers in industry. Many of these plans are now on a sound actuarial basis and the reserves have actually been set aside with the insurance companies or other trustees. The Federal plan will not affect in any way the amount which has already been set aside and it will not affect the annuities which have been earned because of service up to date.

There are two methods of fitting these individual company plans into the Government plan. The company plans could be considered merely as supplementary plans and the companies would deduct from their annual contributions for current liability the amount which they contribute to the Government; the annuities which accumulated in the future from employers' contributions would be reduced by the amount of the annuity paid for by the employer under the Government plan. This method would not necessarily result in the abandonment of company annuity plans and this method has been used abroad. For many years employees with wages less than \$250 per month would receive, if retired, annuities from both the Government and the insurance company. Those above \$250 per month would still be under the insurance company plan.

It would seem, however, that another plan should be devised under which companies would be permitted to operate their own plan for the entire force so that the Federal plan could be relieved of the details of the administration. The reserves accumulated under the company plans could be invested through

the insurance companies and trustees partly in high-grade long-term investments other than Governments and thus reduce the investment problem which must be faced by the Treasury in investing the large reserve funds. This would be especially important if the proposed amendments were adopted. Under such a plan there would probably be less likelihood of any of the present provisions of a company plan being reduced.

There would, of course, be the provision that before a company plan could be recognized it must meet certain standards as to reserves and benefits, and that provision must be made for the employer's paying to the Government the proper reserves when the employee leaves his employment, or giving the employee a paid-up annuity. The details of such a plan could be worked out by the administrative agency. It would seem desirable that the bill should contain a provision which would permit such an arrangement in case the administrative agency found upon further study that it was desirable and feasible.

Due to the adoption of a Government plan, it is likely that many companies which have not already adopted an annuity plan or did not have their plan on a sound basis, will take steps to adopt a sound plan which will cover more people than the Government scheme, and for many years will provide larger annuities. If the companies would be permitted to administer their own plans under the proper regulations, there would probably be greater incentive to adopt them, and the more industrial plans which can be established with larger benefits than under the Government plan, the more security will be provided to the aged in the future.

SUMMARY OF CHANGES RECOMMENDED IN OLD-AGE SECURITY SECTION

1. The voluntary annuities should be sold by the Treasury on a self-supporting basis, with no cost to the Government.
2. Private annuity plans with benefits equal to or exceeding those of the governmental plan should be permitted to operate under conditions fixed by the Social Insurance Board.
3. Agricultural workers and domestic servants should be excluded from the contributory annuity plan.

M. B. FOLSOM.

WASHINGTON, D. C., *February 8, 1935.*

The CHAIRMAN. The committee will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 12 o'clock noon, the hearing was adjourned until Saturday, Feb. 9, 1935, at 10 a. m.)

ECONOMIC SECURITY ACT

SATURDAY, FEBRUARY 9, 1935

UNITED STATES SENATE COMMITTEE ON FINANCE,
Washington, D. C.

The committee met pursuant to call, at 10:10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison, chairman, presiding.

The CHAIRMAN. I submit for the record a letter from Dr. Witte, Executive Director Committee on Economic Security, transmitting for the consideration and study of the Committee two model State unemployment-insurance bills, suggestions for a State old-age assistance law, and accompanying explanatory statements.

COMMITTEE ON ECONOMIC SECURITY,
Washington, February 9, 1935.

HON. PAT HARRISON,
Chairman Finance Committee of the United States Senate,
Washington, D. C.

DEAR SENATOR HARRISON: While Dr. William M. Leiserson, a member of the technical board of this committee, was testifying on the pending Economic Security Act, your committee expressed a wish that the model State unemployment-insurance bill which we were preparing should be submitted to your committee for purposes of the record.

We have now completed two model State unemployment-insurance bills, one for a pool-fund system and the other for a plant account system. These two bills with an accompanying explanatory statement are enclosed herewith.

We have also prepared suggestions for a State old-age-assistance law. This is, likewise, being transmitted to you herewith.

Whether you desire all of this material to be included in the record I do not know, but as your committee expressed a wish to have this submitted, I am doing so herewith.

Very truly yours,

COMMITTEE ON ECONOMIC SECURITY,
EDWIN E. WITTE,
Executive Director.

PRELIMINARY DRAFT OF A SUGGESTED STATE UNEMPLOYMENT COMPENSATION ACT
(With completely pooled fund)

[NOTE.—There will shortly be sent you a suggested alternative bill, providing for partial pooling and also for separate employer reserve accounts]

The Federal measure for economic security (now pending in Congress) gives every State both opportunity and urgent reason for enacting a State unemployment-compensation law in 1935.

The Federal security measure permits employers to credit (against the Federal pay-roll tax) their contributions under any State unemployment-compensation law which meets certain minimum Federal standards.

Each State which passes such a law promptly will be able to set up a State unemployment-compensation fund, thus using for State purposes that money which would otherwise be paid into the Federal Treasury by the State's employers.

To assist each State in enacting a suitable law, assuring its employers of the Federal tax credit, the President's Committee on Economic Security has had two model State bills prepared after months of study and discussion.

These bills are very carefully drafted to meet all the requirements of the Federal measure, including: (a) Standards for granting tax credits to employers; and (b) standards for granting Federal money to pay the administrative costs of such State laws.

(1) The attached model bill is of the "pooled fund" type. Under this type of bill all contributions are paid into a single, undivided fund (with no segregation of the amounts paid in by each employer). Benefits will be paid from such pooled fund to any and all eligible employees. Provisions for varying employer contribution rates to some extent, based on their employment and benefit experience, may be incorporated in such a bill if the State so desires.

(2) An alternative model bill of the "reserves" type is being prepared and will be sent to you shortly. Under this type of bill, part of the total contributions paid into the State fund will be "pooled"; but the major part of each employer's contributions will be segregated (within the fund) into separate employer accounts, and benefits will be paid from an employer's account only to his own eligible employees. After several years of contribution and benefit payments, each employer's contribution rate will depend on his actual employment and benefit experience.

Wide latitude is thus left the several States in many respects (a) as to the general type of unemployment compensation law to be adopted, with two types of model bill suggested, and also (b) as to many other important questions (amount and duration of benefits, etc.).

It is suggested, however, that each State executive or legislator who plans to make any change in either of the model bills (prepared by the Committee on Economic Security) might do well to write the committee for advice on the vital question: "Would the proposed change prevent the State law from qualifying for (a) Federal tax credits to employers, and (b) Federal aid for State administration?"

By thus writing the Committee on Economic Security, each State can be advised whether the proposed changes (a) will meet Federal requirements and (b) are consistent, or conflict with other provisions of the "model bill" itself.

The Committee's address is 1734 New York Avenue, Washington, D. C.

TOPICAL OUTLINE OF BILL

Section 1. Short title.

Section 2. Declaration of public policy of the State.

Section 3. Definitions: (1) Benefit, (2) commission, (3) contributions, (4) eligibility, (5) employee, (6) employer, (7) employment, (8) employment office, (9) full-time weekly wage, (a) hourly rate of earnings, (b) full-time weekly hours, (10) fund, (11) partial unemployment, (12) pay roll, (13) total unemployment, (14) unemployment administration fund, (15) wages, (16) waiting-period unit, (17) week, (18) week of employment.

Section 4. Unemployment compensation fund: (1) Fund, (2) withdrawals, (3) treasurer, (4) deposit.

Section 5. Contributions: (1) Payment, (2) standard rate of contributions, (3) 1936 and 1937 contribution rates, (4) future rates, based on benefit experience, or (4) study of contribution rates, (5) employee contributions.

Section 6. Benefits: (1) Payment of benefits, (2) weekly benefits for total unemployment, (3) weekly benefits for partial unemployment, (4) 1-to-4 ratio of benefits to employment, (5) maximum weeks of benefit in any year, (6) lump-sum benefit option, (7) additional benefits (1-to-20 ratio).

Section 7. Benefit eligibility conditions: (1) Employment requirement, or (1) probationary-service period, (2) availability and registration for work, (3) waiting period, (4) during trade disputes, (5) voluntary leaving, (6) discharge for misconduct, (7) refusal of suitable employment, (8) employees barred from benefits by wage disqualification.

Section 8. Settlement of benefit claims: (1) Filing, (2) initial determination, (3) appeals, (4) appeal tribunals, (5) procedure, (6) commission review, (7) appeal to courts, (8) oaths and witnesses.

Section 9. Court review.

Section 10. Unemployment Compensation Commission: (1) Organization, (2) salaries, (3) quorum

Section 11. Administration: (1) Duties and powers of commission, (2) general commission rules, (3) publication, (4) personnel, (5) advisory councils, (6) employment stabilization, (7) records and reports, (8) representation in court, (9) State-Federal cooperation, (10) employment offices.

Section 12. Acceptance of act of Congress relating to employment service: (1) Formal acceptance, (2) State employment service, (3) financing.

Section 13. Reciprocal benefit arrangement with other States.

Section 14. Protection of rights and benefits: (1) Waiver of rights void, (2) limitation of fees, (3) no assignment or garnishment of benefits.

Section 15. Collection of contributions: (1) Interest on tardy payments, (2) bankruptcy, (3) court action.

Section 16. Penalties.

Section 17. Unemployment administration fund: (1) Special fund, (2) Federal aids, (3) employment-service account.

Section 18. Appropriations.

Section 19. Saving clause.

Section 20. Separability of provisions.

Section 21. Effective date.

A BILL RELATING TO UNEMPLOYMENT COMPENSATION PROVIDING PENALTIES AND MAKING APPROPRIATIONS

SECTION 1. SHORT TITLE

This act shall be known and may be cited as the "Unemployment compensation law."

SECTION 2. DECLARATION OF PUBLIC POLICY OF THE STATE

NOTE.—The sponsor of a State bill will probably wish to draft the statement of public policy. The following statement is appropriate and may be used if desired, but this precise wording is not essential to conform to the proposed Federal legislation.

As a guide to the interpretation and application of this act, the public policy of this State is declared to be as follows: Economic insecurity due to unemployment is a serious menace to the health, morals, and welfare of the people of this State. Involuntary unemployment is therefore a subject of general interest and concern which requires appropriate action by the legislature to prevent its spread and to lighten its burden which now so often falls with crushing force upon the unemployed worker and his family. Social security requires protection against this greatest hazard of our economic life. This can be provided only by application of the insurance principle of sharing the risks, and by the systematic accumulation of funds during periods of employment to provide benefits for periods of unemployment, thus limiting the serious social consequences of poor relief assistance. The legislature, therefore, declares that in its considered judgment the public good, and the general welfare of the workers of this State require the enactment of this measure for the compulsory setting aside of unemployment reserves to be used for the benefit of persons unemployed through no fault of their own.

SECTION 3. DEFINITIONS

The following words and phrases, as used in this act, shall have the following meanings unless the context clearly requires otherwise:

(1) "Benefit" means the money payable to an employee as compensation for his wage losses due to unemployment as provided in this act.

(2) "Commission" means the unemployment compensation commission established by this act, or its authorized representative.

NOTE.—If another administrative agency than that suggested herein is used, the name of such agency should be abbreviated and defined, and when the word "commission" appears, the abbreviated name of such agency should be substituted.

(3) "Contributions" means the money payments to the State unemployment compensation fund required by this act.

(4) *Eligibility*.—An employee shall be deemed "eligible" for benefits for any given week of his partial or total unemployment (occurring subsequent

to any required waiting period) only when he is not disqualified by any provision of this act from receiving benefits for such week of unemployment.

(5) "Employee" means any person employed by an employer subject to this act and in employment subject to this act.

(6) "Employer" means any person, partnership, association, corporation, whether domestic or foreign, or the legal representative, trustee in bankruptcy, receiver, or trustee thereof, or the legal representative of a deceased person, including¹ this State and any municipal corporation or other political subdivision thereof, who or whose agent or predecessor in interest has employed at least four persons in employment subject to this act within each of 13 or more calendar weeks in the year 1935 or any subsequent calendar year; provided that such employment in 1935 shall make an employer subject on January 1, 1936, and such employment in any subsequent calendar year shall make a newly subject employer subject for all purposes as of January 1 of the calendar year in which such employment occurs. In determining whether an employer (of any person in the State) employs enough persons to be an "employer" subject hereto, and in determining for what contributions he is liable hereunder, he shall, whenever he contracts with any contractor or subcontractor for any work which is part of his usual trade, occupation, profession, or business, be deemed to employ all persons employed by such contractor or subcontractor on such work, and he alone shall be liable for the contributions measured by wages paid to such persons for such work; except as any such contractor or subcontractor, who would in the absence of the foregoing provisions be liable to pay said contributions, accepts exclusive liability for said contributions under an agreement with such employer made pursuant to general commission rules. All persons thus employed by an employer (of any person) within the State, in all of his several places of employment maintained within the State, shall be treated as employed by a single "employer" for the purposes of this act; provided, moreover, that where any person, partnership, association, corporation, whether domestic or foreign, or the legal representative, trustee in bankruptcy, receiver, or trustee thereof, or the legal representative of a deceased person, either directly or through a holding company or otherwise, has a majority control or ownership of otherwise separate business enterprises employing persons in the State, all such enterprises shall be treated as a single "employer" for the purposes of this act. Any employer subject to this act shall cease to be subject hereto only upon a written application by him and after a finding by the commission that he has not within any calendar week within the last completed calendar year employed four or more persons in employment subject hereto. Any employer (of any person within the State) not otherwise subject to this act shall become fully subject hereto, upon filing by such employer with the commission of his election to become fully subject hereto for not less than 2 calendar years, subject to written approval of such election by the commission.

(7) "Employment" means any employment in which all or the greater part of the person's work (within the continental United States) is or was customarily performed within this State, under any contract of hire, oral or written, express or implied, whether such person was hired and paid directly by the employer or through any other person employed by the employer, provided the employer had actual or constructive knowledge of such contract. Such employment shall include the person's entire employment (in all States, including the District of Columbia). In the case of all other persons employed partly in this State and partly in other States, the term "employment" shall include the employment of such persons to the extent prescribed by general rules adopted by the commission. Except as provided in any reciprocal benefit arrangement made pursuant to this act, "employment" shall not include any employment included in any unemployment compensation system established by an act of Congress.

Nor shall the term "employment" apply to—²

(a) Employment on a governmental relief project approved by the commission;

¹The inclusion of the State and local governments as employers is not required in the proposed Federal legislation. Congress does not have the power to tax the pay rolls of State and local governments, and obviously could not require State and local governments to contribute to a State unemployment compensation act. It is suggested, however, that State and local employees be covered, except those in the employments exempted in paragraphs (a) to (d) of the "employment" definition below.

²The last sentence and exemptions (a) to (d) should be omitted if State and local governments are excluded from the "employer" definition (6) above.

- (b) Employment as an elected or appointed public officer;
- (c) Employment by a governmental unit on an annual salary basis;
- (d) Employment as a teacher in a public school, college, or university.
- (8) "Employment office" means that free public employment office (operated by the State) or branch thereof nearest to the employee's place of residence or employment, unless otherwise prescribed by the commission.
- (9) An employee's "full-time weekly wage" means the weekly earnings such employee would average from his employment if employed at the "hourly rate of earnings" and for the "full-time weekly hours" applicable to such employee.
- (a) The applicable "hourly rate of earnings" shall be determined by averaging the employee's actual earnings for at least 100 hours of employment by his most recent employers.
- (b) An employee's "full-time weekly hours" shall mean the standard maximum weekly hours which can lawfully be worked by the employee (in the employment in question) under the applicable Federal code of fair competition or under any applicable State code or law specifying lower maximum weekly hours. Where there is no code or law applicable, the commission shall determine the employee's full-time weekly hours by averaging his weekly hours for all calendar weeks (in at least the past 3 months) in which he worked 30 hours or more, or by such equitable method as the commission may by general rule prescribe for determining a full-time standard of not less than 30 weekly hours for benefit purposes. In the case of any employee who is found by the commission, at the time he becomes eligible for benefits to be unable by reason of physical disability or by reason of continuing personal obligations (other than employment) to work half the full-time weekly hours which prevail in such establishment for full-time employees, the commission shall determine his full-time weekly hours for benefit purposes by averaging his weekly hours for all weeks (in at least the past 3 months) in which he worked.
- (10) "Fund" means the unemployment compensation fund established by this act, to which all contributions and from which all benefits required under this act shall be paid.
- (11) "Partial unemployment": An employee shall be deemed "partially unemployed" in any calendar week of partial work if he fails to earn in wage (and/or any other pay for personal services, including net earnings from self-employment) for such week at least \$1 more than the amount of weekly benefits for total unemployment he might receive if totally unemployed and eligible.
- (12) "Pay roll" means the total amount of all wages payable by the employer to his employees, commencing with wages payable for employment occurring after employer becomes newly subject to this act.
- (13) "Total unemployment": An employee shall be deemed "totally unemployed" in any calendar week in which he performs no wage-earning services whatsoever and for which he earns no wages (and no other pay for personal services, including net earnings from self-employment), and in which he cannot reasonably return to any self-employment in which he has customarily been engaged.
- (14) "Unemployment administration fund" means the unemployment compensation administration fund established by this act.
- (15) "Wages" means every form of remuneration for employment received by a person from his employer, whether paid directly or indirectly by the employer, including salaries, commissions, bonuses, and the reasonable money value of board, rent, housing, lodging, payments in kind, and similar advantages.
- (16) "Waiting-period unit" means a period (for which no benefits are payable but during which the employee is in all other respects eligible) consisting of either 1 week of total unemployment or 2 weeks of partial unemployment, required as a condition precedent to the receipt of benefits for subsequent unemployment, as prescribed in this act.
- (17) "Week" means calendar week.
- (18) "Week of employment" means each calendar week (occurring at least 1 year after contributions first become generally due under this act from employers then subject hereto and occurring after any probationary period or periods required hereunder) within which the person in question performed any employment subject to this act for any employer subject to this act; provided, however, that any week (occurring within the customary school vacation periods) in which an employer employed an employee who attended a school, college, or university in the last preceding school term shall not be counted as a "week of employment" in determining the benefit rights of such employee under this act.

SEC. 4. UNEMPLOYMENT-COMPENSATION FUND

(1) *Fund.*—There is hereby created the unemployment-compensation fund, to be administered by the commission without liability on the part of the State beyond the amounts paid into and earned by the fund. This fund shall consist of all contributions and money paid into and received by the fund as provided by this act, of property and securities acquired by and through the use of moneys belonging to the fund, and of interest earned upon the moneys belonging to the fund.

(2) *Withdrawals.*—The fund shall be administered in trust and used solely to pay benefits, upon vouchers drawn on the fund by the commission pursuant to general commission rules, and no other disbursement shall be made therefrom. Such rules shall be governed by and consistent with any applicable constitutional requirements, but the procedure prescribed by such rules shall be deemed to satisfy (and shall be in lieu of) any and all statutory requirements (for specific appropriation or other formal release by State officers of State moneys prior to their expenditure) which might otherwise be applicable to withdrawals from the fund.

NOTE.—The first sentence of the above subsection is necessary to conform to the requirement of the Federal bill that the fund be used exclusively for the payment of benefits. Administrative expenses will have to be paid from Federal allotments for this purpose, or from other sources. Attention is called to the fact that the number of benefit payments to be made from the State fund will be extremely large in most States, though the amount of the individual payments will be small. It is therefore advisable to utilize a method of withdrawals from the fund which will involve a minimum of administrative expense, consistent with adequate protection of the fund. In some States the customary procedure for the payment from public funds would be unnecessarily expensive.

(3) *Treasurer.*—The commission shall designate a treasurer of the fund who shall pay all vouchers duly drawn upon the fund in such manner as the commission may prescribe. He shall have custody of all moneys belonging to the fund and not otherwise held or deposited or invested pursuant to this action. The treasurer shall give bond conditioned on the faithful performance of his duties as treasurer of the fund, in a form prescribed by statute or approved by the attorney general and in an amount specified by the commission and approved by the governor. All premiums upon bonds required pursuant to this section when furnished by an authorized surety company or by a duly constituted governmental bonding fund shall be paid from the unemployment administration fund. The treasurer shall deposit and/or invest the fund under the supervision and control of the commission, subject to the provisions of this act.

(4) *Deposit.*—All contributions paid under this act shall upon collection be deposited in or invested in the obligations of the unemployment-trust fund of the United States Government or its authorized agent, so long as said trust fund exists, notwithstanding any other statutory provision to the contrary. The commission shall requisition from the unemployment-trust fund necessary amounts from time to time.

NOTE.—The above subsection (4) is necessary to meet the requirements of the Federal bill.

The wording of the entire section creating the State unemployment compensation fund is also important, because of constitutional provisions concerning the custody and management of "State funds" in several States. Four States (California, New Mexico, Wyoming, and Michigan) require the deposit of "State funds" or "public funds" in State or national banks. Since it is anticipated that the United States Treasury will designate banks within the State to act as its agent, even the constitutional provisions of these States do not conflict with the requirements of the Federal economic security bill for the deposit of State unemployment compensation funds with the unemployment trust fund of the United States.

SECTION 5. CONTRIBUTIONS

(1) *Payment.*—On and after the 1st day of January 1936 contributions shall accrue and become payable by each employer then subject to this act. Thereafter contributions shall accrue and become payable by any new employer on

and after the date on which he becomes newly subject to this Act. The contributions required hereunder shall be paid by each employer in such manner and at such times as the commission may prescribe.

(2) *Standard rate of contributions.*—The contributions regularly payable by each employer shall be an amount equal to 3 percent of his pay roll, except as otherwise provided in this act.

NOTE.—The Federal pay-roll tax on employers (under the economic security bill) will be 3 percent for the year 1938, and thereafter. For the years 1936 and 1937, however the tax rate (which will depend on a Federal index of production) may be 3 percent, 2 percent, or 1 percent. (Of course all provisions of the Federal bill are subject to possible change by Congress.) Any State which desires to make its 1936 and 1937 contribution rates correspond exactly to the tax-rate clauses of the Federal security measure (as introduced) can use the following language:

(*Optional provision*)

(3) *1936 and 1937 contribution rates.*—The contributions payable by each employer for the calendar years 1936 and 1937 shall be determined as follows: (a) if the Federal Reserve Board's adjusted index of total industrial production averages, for the year ending September 30, 1935, not more than 84 percent of its average for the years 1923–25, inclusive, the commission, shall certify that fact to the secretary of state, and each employer shall contribute for the calendar year 1936 an amount equal to 1 percent of his pay roll; (b) if such index averages for such year, more than 84 percent but less than 95 percent of such earlier average, such fact shall be so certified, and each employer shall contribute for the calendar year 1936 an amount equal to 2 percent of his pay roll; (c) if such index averages for the year ending September 30, 1936, not more than 84 percent of such earlier average, such fact shall be so certified, and each employer shall contribute for the calendar year 1937 an amount equal to 1 percent of his pay roll, except that in no event shall the measure of contributions for the calendar year 1937 be less than the measure of contributions for the calendar year 1936; (d) if such index averages, for the year ending September 30, 1936, more than 84 percent but less than 95 percent of such earlier average, such fact shall be so certified and each employer shall contribute for the calendar year 1937 an amount equal to 2 percent of his pay roll, except that in no event shall the measure of contributions for the calendar year 1937, be less than the measure of contributions for the calendar year 1936.

NOTE.—Under the proposed Federal economic security measure a State may, after 5 years, reduce contribution rates for employers who have shown a good unemployment compensation experience. Two alternate provisions are given below for States that may wish to take advantage of this provision in the Federal measure. Both provisions are entirely optional with the State.

(*Optional provision*)

(4) *Study of contribution rates.*—For a period of 3 years after the contributions accrue and become payable under this act, the commission shall study the operations of this act relative to the financial aspects and the sufficiency of contributions hereunder, and shall submit a report of its findings and recommendations thereon to the legislature not later than February 15, 1939.

(*Optional provision*)

(4) *Future rates, based on benefit experience.*—Based on the actual contribution and benefit experience of employers under this act, the commission shall (in the year 1941 and in each calendar year thereafter) classify employers in accordance with said experience; and shall determine for each employer the rate of contributions which shall apply to him throughout the calendar year pursuant to said experience and classification. The minimum contributions thus payable to the fund shall in no case amount to less than ³ percent on the employer's pay roll, and the average contribution rate of all employers shall be approximately 3 percent (on pay roll) for any calendar year. An employer's contribution rate shall in no case be reduced until there has been at least 3 calendar years throughout which his employees received or could have re-

³ This figure must be at least 1 percent under the pending economic security measure, but is, of course, subject to final action by Congress.

ceived benefits when and if unemployed and eligible. The commission shall investigate and classify industries, employers, and/or occupations with respect to the degree of unemployment hazard in each, taking due account of any relevant and measurable factors, and shall have power to apply any form of classification or rating system which in its judgment is best calculated to rate individually the unemployment risk most equitably for each employer or group of employers and to encourage the stabilization of employment. The general basis of classification proposed to be used for any calendar year shall be subject to discussion, adoption, and publication in the manner prescribed in this act for all general commission rules.

(Optional provision)

(5) *Contributions by employers.*—Each employee shall contribute to the fund 1 percent of his wages. Each employer shall be responsible for withholding such contribution from the wages of his employees, shall show such deduction on his pay-roll records, and shall transmit all such contributions to the fund pursuant to general commission rules.

NOTE.—The State is not required to include the above subsection (5). It is being set forth here for due consideration by each State.

Worker contributions cannot be offset or credited against the Federal tax on pay rolls, which is payable by employers alone. Hence the inclusion by a State of subsection (5) would not be a substitute for, but rather an addition to, the contributions above required from employers.

Additional contributions to the fund, from any source, would of course make possible additional benefits from the fund. (See the "actuarial memorandum" as to what benefits could be paid with additional contributions.)

SECTION 6. BENEFITS

(1) *Payment of benefits.*—After contributions have been due under this act for 2 years, benefits shall become payable from the fund to any employee who thereafter is or becomes unemployed and eligible for benefits, based on his weeks of employment as defined in this act, and shall be paid through the employment offices at such times and in such manner as the commission may prescribe.

NOTE.—The above provisions should not be altered, since the proposed Federal bill requires as a condition for the allowance of credit against the Federal pay-roll tax that payment of all compensation must be made through the public employment offices in the State and must commence 2 years after contributions are first made under the State law.

(2) *Weekly benefits for total unemployment.*—An employee totally unemployed and eligible in any week shall be paid benefits (computed to the nearest half dollar) at the rate of 50 percent of his full-time weekly wage, with maximum benefits of \$15 per week, and minimum benefits of \$-----⁴ per week.

NOTE.—The maximum weekly benefit of \$15 per week indicated here is open to change by the State. It is not required by the Federal bill. It is presumed that each State will desire to fix a maximum which it deems appropriate in the particular State. Official commissions on unemployment insurance in New York, Ohio, California, and Virginia have recommended a maximum of \$15 per week, while the New Hampshire commission recommended \$14. The maximum in the Wisconsin law is \$10, but the contribution rate is 2 percent.

(3) *Weekly benefits for partial unemployment.*—An employee partially unemployed and eligible in any week shall be paid sufficient benefits so that his week's wages (and/or any other pay for personal services, including net earnings from self-employment) and his benefits combined will be \$1 more than

⁴ States may also wish to fix a minimum weekly benefit for total unemployment. Senate bill no. 1 of New York provides a minimum of \$5. Few of the proposed unemployment compensation bills provide for any minimum.

Practically all of the special commissions which have studied unemployment compensation in this country have recommended that the benefit rates be set at 50 percent of the full-time weekly earnings. With contributions of 3 percent, or even 4 percent, this is about the maximum weekly rate of benefit which can be provided, unless the duration of benefits is shortened. It is generally thought advisable to fix the benefit rates at this figure, and to adjust the duration of benefits and the waiting period to meet the employment experience of the State.

the weekly benefit to which he would be entitled if totally unemployed in that week.

NOTE.—The above subsection (3) is open to change by the State. However, unless larger contributions than a rate of 3 percent are required, it is suggested that partial benefits should be limited as above provided. This provision gives only a small advantage in total compensation to the partially employed person over the totally unemployed person; but it must be remembered that the person who is drawing partial benefits is not thereby exhausting his benefit rights as rapidly as the person who is drawing total benefits. While it would be desirable to provide more liberal benefits to partially unemployed persons, it must be recognized that the primary purpose of the fund is to provide protection to employees who are totally unemployed. Also, it is desirable to avoid large numbers of small claims for small amounts of partial unemployment because of the excessive administrative costs which would be involved.

(4) *One-to-four ratio of benefits to employment.*—The aggregate amount of an employee may at any time receive shall be limited by the number of his past weeks of employment against which benefits have not yet been charged hereunder. Each employee's benefits shall be thus charged against his most recent weeks of employment available for this purpose. Each employee shall receive benefits in the ratio of one-quarter week of total unemployment benefits (or an equivalent amount, as determined by general commission rules, of benefits for partial unemployment or for partial and total unemployment combined) to each week of employment of such employee occurring within the 104 weeks preceding the close of the employee's most recent week of employment.

NOTE.—This ratio will serve to guard the fund against excessive payment of benefits to those with only a limited amount of previous employment to their credit. The ratio may be lowered to 1 to 3 if it is desired to liberalize this provision, or raised to 1 to 5 if it is desired to make benefit requirements more stringent; but this would modify the actuarial basis of this bill to some extent.

(5) *Maximum weeks of benefit in any year.*—Benefits shall be paid each employee for the weeks during which he is totally or partially unemployed and eligible for benefits based on his past weeks of employment; but not more than _____ weeks of total unemployment benefits (or an equivalent total amount, as determined by commission rules, of benefits for partial unemployment or for partial and total unemployment combined) shall be paid any employee for his weeks of unemployment occurring within any 52 consecutive weeks.

NOTE.—A maximum duration of 16 weeks has been most discussed, based on estimates of what could have been provided if an unemployment compensation system embodying the standards contained in this bill had been in operation from 1922-30 in the United States as a whole during that period. If a State has had more unemployment than the average for the United States it would be advisable for such State to provide for a shorter maximum duration of benefits than 16 weeks. Each State is advised to consult the "actuarial memorandum" accompanying this bill to ascertain the maximum number of weeks of benefits it can safely provide.

(6) *Lump-sum benefit option.*—In lieu of paying to an eligible employee in weekly (or other) installments the maximum amount of benefits to which his past weeks of employment might entitle him under this act (in case he remained continuously unemployed and eligible), the commission may discharge the fund's entire benefit liability to such employee, based on his past weeks of employment, by paying him a lump sum equaling not less than 50 percent or more than 8 percent of said maximum amount of benefits. But lump-sum payments shall be thus made only in unusual cases (such as when the employee has no prospect of securing further employment in the locality, but may secure employment elsewhere). The commission shall by general rules determine on what percentage basis and under what unusual conditions such lump-sum payments shall be made, and each such case shall be subject to specific approval by the commission.

NOTE.—This provision is designed to encourage workers who have no further prospect of employment in the community (e. g., because of aban-

donment of a factory or mine) to seek employment elsewhere, rather than to remain in the community until their benefit rights are exhausted.

(7) *Additional benefits (1 to 20 ratio).*—An eligible employee who has received the maximum benefits permitted under subsection (5) shall receive additional benefits in the ratio of 1 week of total unemployment benefit (or its equivalent) to each unit of 20 aggregate weeks of unemployment occurring within the 260 weeks preceding the close of the employee's most recent week of employment, and against which benefits have not already been charged under this act. Such additional benefits shall be charged against the employee's most recent weeks of employment available for this purpose.

NOTE.—The above provision is recommended because foreign experience indicates that a large proportion of employees will draw no benefits for a number of years. These employees will have an especially valid claim to the additional benefits provided here, when because of a depression or technological change they lose their jobs and are unable to find other work.

SECTION 7. BENEFIT ELIGIBILITY CONDITIONS

(1) *Employment requirement.*—An employee shall be deemed eligible for benefits for any given week of his unemployment only if he has either (a) accumulated 40 weeks of employment subject hereto within the 104 weeks immediately preceding the date of his application for benefits, or (b) accumulated 26 weeks of employment subject hereto within the 52 weeks immediately preceding the date of his application for benefits.

NOTE.—The above subsection (1) is designed to prevent the payment of benefits to persons who work only intermittently, spasmodically, or for brief seasonal periods in insured employment, in order to prevent their depleting the fund at the expense of the regularly employed worker. The State may, at its option, modify or even eliminate this provision, but this would to some extent modify the actuarial basis of this bill.

The following is a possible alternative provision to the above subsection (1). This substitute would tend to have a rather similar effect, in restricting benefits to workers making frequent changes in employment.

(1) *Required probationary period.*—An employee shall be deemed eligible for benefits, based on his employment by a given employer, only after he has been employed by such employer within any 2 weeks (subsequent to the first year of contributions under this act or to any later date on which the employer in question first becomes subject to this act).

(2) *Availability and registration for work.*—An employee shall not be eligible for benefits in any week of his partial or total unemployment unless in such week he is physically able to work and available for work, whenever duly called for work (through the employment office. To prove such availability for work, every employee partially or totally unemployed shall register for work and shall file claim for benefits at the employment office, within such time limits and with such frequency and in such manner (in person or in writing) as the commission may by general rule prescribe. No employee shall be eligible for benefits for any week in which he fails without good cause to comply with such registration and filing requirements. A copy of the commission's rules covering such requirements shall be furnished by it to each employer, who shall inform his employees of the terms thereof when they become unemployed.

(3) *Waiting period.*—Benefits shall be payable to an employee only for his weeks of unemployment occurring subsequent to a "waiting period" whose duration shall in each case be determined as follows. An aggregate of ----- waiting-period units shall be required of the employee within the 52 weeks preceding the start of any given week of unemployment.

There shall not be counted toward an employee's required waiting period or periods any week of total or partial unemployment in which he is ineligible for benefits under subsections (2), (4), (5), (6), or (7) of this section.

NOTE.—The Committee on Economic Security takes no position as to what the length of the waiting period should be. The State may specify a waiting period of 2, 3, or 4 weeks, or any other period it considers suitable. It should be emphasized, however, that a long waiting period will result in a considerable saving to the fund because of the large amount of unemployment of 2 or 3 weeks' duration, and that such saving will make possible a longer maximum duration of benefits to those unemployed longer than the waiting period. The "actuarial memorandum" accompanying this bill should be consulted, and the appropriate adjustment made in the maximum duration of benefits allowed.

(4) *During trade disputes.*—An employee shall not be eligible for benefits for any week in which his total or partial unemployment is directly due to a labor dispute still in active progress in the establishment in which he is or was last employed.

(5) *Voluntary leaving.*—An employee who has left his employment voluntarily without good cause connected with such employment shall be ineligible for benefits for the week in which such leaving occurred and for the 3 next following weeks; provided, moreover, that such weeks shall be charged (as if benefits for total unemployment had been paid therefor) against the employee's most recent weeks of employment (by the employer in question) against which benefits have not previously been charged hereunder.

NOTE.—The above subsection (5) is considered to be equitable. The period of disqualification may, of course, be lengthened, or the person quitting voluntarily without reasonable cause may be entirely disqualified, if the State so desires.

(6) *Discharge for misconduct.*—An employee who has been discharged for proved misconduct connected with his employment shall thereby become ineligible for benefits for the week in which such discharge occurred and for not less than the 3 nor more than the 6 next following weeks, as determined by the commission in each individual case; provided, moreover, that the ineligible weeks thus determined shall be charged (as if benefits for total unemployment had been paid therefor) against the employee's most recent weeks of employment (by the discharging employer) against which benefits have not previously been charged hereunder, and shall also be counted against his maximum weeks of benefit per year.

NOTE.—The above provision leaves desirable flexibility, so that the penalty can be varied to suit the circumstances of each individual case.

The following is a more rigid (alternative) provision:

(6) *Discharge for misconduct.*—An employee who has been discharged for proved misconduct connected with his employment shall thereby become ineligible for any further benefits based on his past weeks of employment by the discharging employer, and also ineligible for benefits (based on other employment) for the week in which such discharge occurred and for the 3 next following weeks; provided, moreover, that such weeks shall be counted (as if benefits for total unemployment had been paid therefor) against the employee's maximum weeks of benefit per year.

(7) *Refusal of suitable employment.*—If an otherwise eligible employee fails, without good cause, either to apply for suitable employment when notified by the employment office, or to accept suitable employment when offered him, he shall thereby become ineligible for benefits for the week in which such failure occurred and for the 3 next following weeks; provided, moreover, that such weeks shall be charged (as if benefits for total unemployment had been paid therefor) against the employee's most recent weeks of employment against which benefits have not previously been charged hereunder, and shall also be counted against his maximum weeks of benefit per year.

"Suitable employment" shall mean any employment for which the employee in question is reasonably fitted, which is located within a reasonable distance of his residence or last employment, and which is not detrimental to his health, safety, or morals. No employment shall be deemed suitable, and benefits shall not be denied under this act to any otherwise eligible employee for refusing to accept new work, under any of the following conditions: (a) If the position offered is vacant due directly to a strike, lockout, or other labor dispute; (b) if the wages, hours, and other conditions of the work offered are less favorable to the employee than those prevailing for similar work in the locality; (c) if acceptance of such employment would either require the employee to join a company union or would interfere with his joining or retaining membership in any bona fide labor organization.

NOTE.—The above definition of "suitable employment" is required in the Federal bill, and the wording of the entire last sentence should not be altered.

(Optional provision)

(8) *Employees barred from benefits by wage disqualification.*—An employee shall not be eligible for any benefits whatever based on his past weeks of

employment by a given employer, if he loses his employment with such employer after being regularly employed by him (for at least 20 out of the last 24 calendar months) on a minimum salary basis (payable and paid, for each of such 20 months, whether or not the employer had wage-earning work available for the employee) amounting to at least \$ — per month.

NOTE.—No State is required to include in its law the above subsection (8). Any denial of benefits to an employee, because his wages have been relatively high, is very complicated to administer, and apt to be inequitable in many cases.

The \$15 weekly benefit maximum will in itself result in higher-paid workers receiving in benefits a relatively lower percentage of their full-time weekly wages.

If some wage-disqualification is to be used, it should not be based on mere hourly or weekly wage rates but rather on annual (salary) earning.

Hence, the above subsection is set forth (as the best provision of this type), without being recommended.

SECTION 8. SETTLEMENT OF BENEFIT CLAIMS

NOTE ON HANDLING CLAIMS.—The following section has the great advantage of leaving the appeal arrangements flexible, so that they can be set up (and changed) by the administrative authority after further study and experience, without the necessity of legislative amendments.

(1) *Filing*.—Benefit claims shall be filed at the employment office, pursuant to general commission rules.

(2) *Initial determination*.—A deputy designated by the commission shall promptly determine whether or not the claim is valid, and the amount of benefits apparently payable thereunder, and shall duly notify the employee and his most recent employer of such decision. Benefits shall be paid or denied accordingly, unless either party requests a hearing within 5 calendar days after such notification was delivered to him or was mailed to his last known address.

(3) *Appeals*.—Unless such request for a hearing is withdrawn, the claim thus disputed shall be promptly decided, after affording both parties reasonable opportunity to be heard, by such appeal tribunal as the commission may designate or establish for this purpose. The parties shall be duly notified of such tribunal's decision, which shall be deemed a final decision by the commission except in cases where the commission acts on its own motion or, pursuant to general rules, permits the parties to initiate further appeal or review.

(4) *Appeal tribunals*.—To hear and decide disputed claims, the commission may establish one or more appeal tribunals consisting in each case of 1 full-time salaried examiner (or commissioner) who shall serve as chairman, and of 2 other members, namely an employer or representative of employers and an employee or representative of employees, who shall each be paid a fee of not more than \$10 per day of active service on such tribunal (plus necessary expenses) and shall serve until replaced by the commission, except that no person shall hear any case in which he is a directly interested party. The chairman of such appeal tribunal may act for it at any session in the absence of one or both other members, provided they have had due notice of such session.

(5) *Procedure*.—The manner in which claims shall be presented, the reports thereon required from the employee and from employers, and the conduct of hearings and appeals shall be governed by general commission rules (whether or not they conform to common law or statutory rules of evidence and other technical rules of procedure) for determining the rights of the parties. A full and complete record shall be kept of all proceedings in connection with a disputed claim. All testimony at any hearing shall be taken down by a stenographer, but need not be transcribed unless the disputed claim is further appealed.

(6) *Commission review*.—The commission shall have the power to remove or transfer the proceedings on any claim pending before a deputy, appeal tribunal, or commissioner; and may on its own motion (within 10 days after the date of any decision by a deputy, appeal tribunal, commissioner, or by the commission as a body) affirm, reverse, change, or set aside any such decision, on the basis of the evidence previously submitted in such case, or direct the taking of additional testimony.

(7) *Appeal to courts.*—Except as thus provided, any decision (unless appealed pursuant to general commission rules) shall, 10 days after the date of such decision, become the final decision of the commission, and all findings of fact made therein shall (in the absence of fraud) be conclusive; and such decision shall then be subject to judicial review solely on questions of law. Such judicial review shall be barred unless the plaintiff party has used and exhausted the remedies provided hereunder and has commenced judicial action (with notice to the commission) within 10 days after a decision hereunder has become the final decision of the commission in the disputed case.

(8) *Oaths and witnesses.*—In the discharge of their duties under this section any deputy, any member of an appeal tribunal, and any examiner, commissioner, or duly authorized representative of the commission shall have power to administer oaths to persons appearing before them, take depositions, certify to official acts, and by subpoenas (served in the manner in which court subpoenas are served) to compel attendance of witnesses and the production of books, papers, documents, and records necessary or convenient to be used by them in connection with any disputed claim. Witness fees and other expenses involved in proceedings under this section shall be paid to the extent necessary, at rates specified by general commission rules, from the unemployment administration fund.

SECTION 9. COURT REVIEW

Each State should draft a section consistent with its judicial structure and procedure. This section should specify: (1) Type of legal action, (2) the court or courts to be used, (3) transmission by the commission of the record in the case, (4) assessment of court costs, etc.

Some States have, under their accident compensation laws, found it desirable to have a single court handle all such cases, thereby developing a tribunal with specialized knowledge and experience in this field. Such procedure might well be followed in the new field of unemployment compensation.

Note on Administrative Organization. (Possible types).—The work involved in the administration of a State unemployment compensation law will be very considerable.

The administrative expenses (including the operation of public employment offices), judging by experience abroad, will be at least 10 percent of the annual contributions. For each million of population, if the State's employment and wage rates are about the average of the entire country, unemployment compensation contributions (at 3 percent) would average about \$3,500,000 annually under existing conditions, and the administrative expenses (at 10 percent) would be about \$350,000 annually (per million of population) after benefits start. (Federal grants will cover most of these administration costs, provided the State administration complies with Federal standards.)

Hence, many States will desire to create a new full-time commission, suitable for dealing with the many new accounting, legal, and administrative problems. This bill embodies the organization of such a commission (see sec. 10. below), briefly as follows:

1. Administration by a new salaried commission of three members, which will determine the policies, adopt necessary rules and regulations, act as the board of review for appealed cases, and have general supervision of the routine administration through a director or a secretary.

However, some States, in the light of their present administrative organization or because of a smaller volume of work, may wish to consider the following alternative plans of organization:

2. Administration under the present labor department, but with a new division headed by an executive director in direct charge of administering the unemployment compensation act and the employment offices. If this is done, a part-time or full-time commission to help in formulating general policies and to review appealed benefit cases is desirable.

3. A new part-time (per diem) board, with a salaried executive director. Such a part-time board would review appealed benefit cases, have jurisdiction over general policies, pass upon rules and regulations, and be responsible for the administration, selecting the director who would be subject to the board. (Such a part-time board should be used in smaller States.)

4. Administration by a single new commissioner, with a part-time (per diem) board appointed by him. Such a part-time board might well review appealed benefit cases, and would advise the commissioner on general policies. (Such part-time board should be used only in smaller States.)

SECTION 10. UNEMPLOYMENT COMPENSATION COMMISSION

(1) *Organization.*—There is hereby created a commission of three members, to be known as the unemployment-compensation commission of _____ (State)

The members of the commission shall be appointed by the Governor within 90 days after the passage of this act. The commissioners thus appointed shall serve, as designated by the Governor at the time of appointment, 1 for a term of 2 years, 1 for a term of 4 years, and 1 for a term of 6 years. At the expiration of such initial terms appointments shall be made for a term of 6 years in each case. Any appointment to a vacancy shall be for the unexpired term in question. No commissioner shall, during his term of office, engage in any other business, vocation, or employment, or serve as an officer or committee member of any political party organization. The Governor may at any time, after public hearing, remove any commissioner for gross inefficiency, neglect of duty, malfeasance, misfeasance, or nonfeasance in office.

(2) *Salaries.*—Each commissioner shall be paid a fixed monthly salary, at the rate of _____ thousand dollars per year of service, from the unemployment administration fund.

NOTE.—To secure persons with ability, training, and experience reasonably equal to their new and difficult task, the State should expect to pay each commissioner approximately \$2,000 per million of State population, but not less than \$4,000 in any event.

(3) *Quorum.*—Any two commissioners shall constitute a quorum to transact business. No vacancy shall impair the right of the remaining commissioners to exercise all of the powers of the commission, so long as a majority remain. The commission shall determine its own organization and methods of procedure.

(4) *Duties and powers of commission.*—It shall be the duty of the commission to administer this act; and it shall have power and authority to adopt and enforce all reasonable rules and orders necessary or suitable to that end, and to employ any person, make any expenditures, require any reports, and take any other action (within its means and consistent with the provisions of this act) necessary or suitable to that end. Annually, by the 1st day of February, the commission shall submit to the Governor a summary report covering the administration and operation of this act during the preceding calendar year and making such recommendations as the commission deems proper. Whenever the commission believes that a change in contribution and/or benefit rates will become necessary to protect the solvency of the fund it shall at once inform the Governor and the legislature thereof and make recommendations accordingly.

(5) *General commission rules.*—General rules, interpreting or applying this act and affecting all (or classes of) employers, employees, or other persons or agencies shall be adopted by the commission only after discussion with a representative State-wide advisory council (constituted as hereinafter described) or after public hearing (before the commission) of which notice has been given through the press. Such general commission rules shall, upon adoption by a majority of the commission, be duly recorded in its minutes and be filed with the Secretary of State and shall thereupon take legal effect. Such rules may be amended in the same manner as is above provided for their adoption.

(6) *Publication.*—The commission shall cause to be printed in proper form for distribution to the public the text of this act, the commission's general rules, its annual report to the Governor, and any other material the commission deems relevant and suitable, and shall furnish the same to any person upon application therefor; and such printing and availability upon application shall be deemed a sufficient publication of the same.

(7) *Personnel.*—The commission is authorized, within its means, to appoint and fix the compensation of such officers, accountants, attorneys, experts, and other persons as are necessary in the execution of its functions. All positions in the administration of this act shall be filled by persons selected and appointed on a nonpartisan merit basis, under rules and regulations of the commission. The commission shall not employ or pay any person who is serving as an officer or committee member of any political party organization. The commission shall fix the duties and powers of all persons thus employed and may authorize

any such person to do any act or acts which could lawfully be done by a commissioner. The commission may, in its discretion, bond any person handling moneys or signing checks hereunder.

NOTE.—A nonpartisan merit basis must be used to secure any Federal money for administrative costs.

(5) *Advisory councils.*—The commission shall appoint a State-wide advisory council and local advisory councils, composed in each case of equal numbers of employer representatives and employee representatives (namely of persons who may fairly be regarded as thus representative because of their vocation, employment, or affiliations), and of such members representing the public generally as the commission may designate. Such councils shall aid the commission in formulating policies and discussing problems related to the administration of this act and in assuring impartiality, neutrality, and freedom from political influence in the solution of such problems. Such advisory councils shall serve without compensation, but shall be reimbursed for any necessary expenses.

(6) *Employment stabilization.*—It shall be one of the purposes of this act to promote the regularization of employment in enterprises, localities, industries, and the State. The commission, with the advice and aid of its advisory councils, shall take all appropriate steps within its means to reduce and prevent unemployment; to encourage and assist in the adoption of practical methods of vocational training, retraining, and vocational guidance; to investigate, recommend, advise, and assist in the establishment and operation, by municipalities, counties, and school districts, and the State, of reserves for public works to be used in times of business depression and unemployment; to promote the reemployment of unemployed workers throughout the State in every other way that may be feasible; and to these ends to employ experts and to carry on and publish the results of investigations and research studies.

(7) *Records and reports.*—Every employer (of any person in this State) shall keep true and accurate employment records of all persons employed by him, and of the weekly hours worked for him by each, and of the weekly wages paid him to each such person. Such records shall be open to inspection by the commission or its authorized representatives at any reasonable time and as often as may be necessary. The commission may require from any employer (of any person in this State) any reports covering persons employed by him, on employment, wages, hours, unemployment, and related matters, which the commission deems necessary to the effective administration of this act. Information thus obtained shall not be published or be open to public inspection in any manner revealing the employer's liability, and any commission employee guilty of violating this provision shall be subject to the penalties provided in this act.

(8) *Representation in court.*—On request of the commission the attorney general shall represent the commission and the State in any court action relating to this act or to its administration and enforcement, except as special counsel may be designated by the commission with the approval of the Governor and except as otherwise provided in this act.

(9) *State-Federal cooperation.*—The commission is hereby authorized and directed to cooperate in all necessary respects with the appropriate agencies and departments of the Federal Government in the administration of this act and of free public employment offices; and to make all reports thereon requested by any directly interested Federal agency or department; and to accept any sums allotted or apportioned to the State for such administration, and to comply with all reasonable Federal regulations governing the expenditures of such sums.

(10) *Employment offices.*—The commission shall establish and maintain such free public employment offices, including such branch offices, as may be necessary for the proper administration of this act. The commission shall maintain a division for this purpose. The existing free public employment offices of the State (if any) shall be transferred to the jurisdiction of such division; and upon such transfer all duties and powers conferred by law upon any other department, agency, or officer relating to the establishment, maintenance, and operation of free public employment offices shall be vested in such division. All moneys thereafter made available by or received by the State for the State employment service shall be paid to (and expended from) the unemployment administration fund, and a special "employment service account" shall be maintained for this purpose as a part of said fund.

SEC. 12. ACCEPTANCE OF ACT OF CONGRESS RELATING TO EMPLOYMENT SERVICE

(1) *Formal acceptance.*—The State hereby accepts the provisions of the Wagner-Peyser Act, approved June 6, 1933 (48 Stat. 113, U. S. C., title 29, sec. 49 (c-1), "An act to provide for the establishment of a national employment system and for cooperation with the States in the promotion of such system, and for other purposes", in conformity with section 4 thereof, and will observe and comply with the requirements of said act of Congress.

(2) *State employment service.*—There is hereby created, under the Unemployment Compensation Commission, a division to be known as the "_____ State Employment Service", which shall be affiliated with the United States Employment Service. The said division is hereby designated and constituted the agents of this State for the purposes of the Wagner-Peyser Act. The said division shall be administered by a full-time salaried director, who is hereby given full power to cooperate with all authorities of the United States having powers or duties under the said act of Congress and to do and perform all things necessary to secure to this State the benefits of the said act of Congress in the promotion and maintenance of a system of public employment offices.

(3) *Financing.*—All moneys made available by or received by this State under said act of Congress shall be paid into a special "employment service account" in the unemployment administration fund, and said moneys are hereby appropriated and made available to the "_____ State Employment Service" to be expended as provided by this act and by said act of Congress.

NOTE.—The Federal economic security measure requires that the State accept the provisions of the Wagner-Peyser Act, for the establishment of an effective system of public employment offices.

The above section can be used for this purpose, and can properly be included in this bill even where the State has already accepted the Wagner-Peyser Act.

This bill places the State employment service under the commission administering the unemployment compensation law, as is proper and virtually necessary for the effective operation of both the service and the law.

However, in case a given State does not wish to place its State employment service under the Unemployment Compensation Commission, then the above section should be omitted or modified, and subsection (10) of section 11 should also be modified. The governor or the State's labor department should in that case secure advice from the United States Employment Service, Department of Labor, Washington, D. C., on the procedure and changes in this bill which would in that case become necessary.

SECTION 13. RECIPROCAL BENEFIT ARRANGEMENTS WITH OTHER STATES

The commission is hereby authorized, subject to approval by the governor, to enter into reciprocal arrangements with the proper authorities, in the case of any other unemployment compensation system established by any State law or by an act of Congress, as to persons who have (after acquiring rights to benefits under this act or under such other system) newly come under this act or under such other system, whereby such benefits (or substantially equivalent benefits) shall be paid (or both paid and financed) in whole or in part through (or by) the fund of the unemployment compensation system newly applicable to such person. Such reciprocal arrangements shall be adopted and published by the commission in the same manner as its general rules.

NOTE.—The above section is designed to make possible reciprocal arrangements whereby an employee will not lose his benefit rights if he moves from one State to the other, or from employment covered by a direct act of Congress. The wording should not be altered.

SECTION 14. PROTECTION OF RIGHTS AND BENEFITS

(1) *Waiver of rights void.*—No agreement by an employee to waive his right to benefit or any other right under this act shall be valid. No agreement by an employee or by employees to pay all or any portion of the contributions required under this act from employers shall be valid. No employer shall make or require any deduction from wages to finance the contributions required of him, or require any waiver by an employee of any right hereunder. Any

employee claiming a violation of this section may have recourse to the method set up in this act for deciding benefit claims; and the commission shall have power to take any steps necessary or suitable to correct and prosecute any such violation.

(2) *Limitation of fees.*—No employee shall be charged fees of any kind by the commission or its representatives, in any proceeding under this act. Any employee claiming benefits in any proceeding or court action may be represented by counsel or other duly authorized agent; but no such counsel or agents shall together charge or receive for such services more than 10 percent of the maximum benefits at issue in such proceeding or court action.

(3) *No assignment or garnishment of benefits.*—Benefits which are due or may become due under this act shall not be assignable before payment, but this provision shall not affect the survival thereof; and when awarded, adjudged, or paid shall be exempt from all claims of creditors, and from levy, execution, and attachment or other remedy now or hereafter provided for recovery or collection of debt, which exemption may not be waived.

SECTION 15. COLLECTION OF CONTRIBUTIONS

(1) *Interest on tardy payments.*—If any employer fails to make promptly, by the date it becomes due hereunder, any payment required to be made by him under this act, he shall be additionally liable (to the unemployment administration fund) for interest on such payment at the rate of 1 percent per month from the date such payment became due until paid, pursuant to general commission rules.

(2) *Bankruptcy.*—In the event of an employer's dissolution, bankruptcy, adjudicated insolvency, receivership, assignment for benefit of creditors, judicially confirmed extension proposal or composition, or any analogous situation, contribution payments then or thereafter due under this act shall have the greatest priority (subsequent to taxes, but at least equal to wage claims) then, permitted by law; but this subsection shall not impair the lien of any judgment entered upon any award.

(3) *Court action.*—Upon complaint of the commission, the attorney-general shall institute and prosecute the necessary actions or proceedings for the recovery of any contributions or other payments due hereunder; or, at his request and under his direction, the prosecuting attorney (of any county in which the employer has a place of business) shall institute and prosecute the necessary actions or proceedings for the recovery of any contributions or other payments due hereunder.

SECTION 16. PENALTIES

(1) Whoever willfully makes a false statement or representation to obtain or increase any benefit or other payment under this act, either for himself or for any other person, shall upon conviction be punished by a fine of not less than \$20 nor more than \$50, or by imprisonment in the county jail not longer than 30 days, or by both such fine and imprisonment; and each such false statement or representation shall constitute a separate and distinct offense.

(2) Any employer (of any person in this State) or his agent, who willfully makes a false statement or representation to avoid becoming or remaining subject hereto or to avoid or reduce any contribution or other payment required of such employer under this act, or who willfully fails or refuses to make any such contribution or other payment or to furnish any reports duly required hereunder or to appear or testify or produce records as lawfully required hereunder, or who makes or requires any deduction from wages to pay all or any portion of the contributions required from employers, or who tries to induce any employee to waive any right under this act, shall upon conviction be punished by a fine of not less than \$20 nor more than \$200, or by imprisonment in the county jail not longer than 60 days, or by both such fine and imprisonment; and each such false statement or representation, and each day of such failure or refusal, and each such deduction from wages, and each such attempt to induce shall constitute a separate and distinct offense. If the employer in question is a corporation, the president, the secretary, and the treasurer, or officers exercising corresponding functions, shall each be subject to the aforesaid penalties.

(3) Any violation, of any provision of this act, for which a penalty is neither prescribed above nor provided by any other applicable statute, shall be punished by a fine of not less than \$20 nor more than \$50, or by imprisonment in the county jail not longer than 30 days, or by both such fine and imprisonment.

(4) On complaint of the commission the fines specified or provided in this section may be collected by the State in an action for debt. All fines thus collected shall be paid to the unemployment administration fund.

SECTION 17. UNEMPLOYMENT ADMINISTRATION FUND

(1) *Special fund.*—There is hereby created the "unemployment compensation administration fund", to consist of all moneys received by the State or by the commission for the administration of this act. This special fund shall be handled by the State treasurer as other State moneys are handled; but it shall be expended solely for the purposes herein specified, and its balances shall not lapse at any time but shall remain continuously available to the commission for expenditure consistent herewith.

(2) *Federal aids.*—All Federal moneys allotted or apportioned to the State by the Federal Social Insurance Board (or other agency) for the administration of this act shall be paid into the unemployment administration fund.

(3) *Employment service account.*—A special "employment service account" shall be maintained as a part of said fund.

SECTION 18. APPROPRIATIONS

(1) All moneys in the unemployment administration fund at any time are hereby appropriated to the unemployment compensation commission, including its employment service division.

(2) There is hereby appropriated to the employment service account of the unemployment administration fund, from any money in the State treasury not otherwise appropriated, on July 1, 1935, and annually thereafter on the 1st day of July, the sum of \$-----⁶.

SECTION 19. SAVING CLAUSE

The legislature reserves the right to amend or repeal all or any part of this act at any time; and there shall be no vested private right of any kind against such amendment or repeal.

NOTE.—This provision is required by the Federal bill as a condition for the allowance of credits against the Federal pay-roll tax.

SECTION 20. SEPARABILITY OF PROVISIONS

If any provision of this act, or the application thereof to any person or circumstance, is held invalid, the remainder of the act and the application of such provision to other persons or circumstances shall not be affected thereby.

SECTION 21. EFFECTIVE DATE

This act shall take effect upon passage.

NOTE.—This section should be modified where necessary to conform with the State's regular requirements for official publication (etc.) prior to the taking effect of its State laws.

NOTE.—Any State which desires to do so may of course modify the foregoing bill (which now provides for a completely pooled fund), to permit certain employers (or groups) to maintain within the fund:

(1) Separate "employer accounts" for benefits; and/or

⁶This sum should be about 3 cents per capita of the State's population. (Thus a State of 1,000,000 inhabitants should make an appropriation of at least \$30,000.) This should insure the State's receiving its full share of the Federal money now available from the United States Employment Service under the Wagner-Peyser Act. Any State may secure more exact information on the Federal "matching" requirements from the United States Employment Service, Washington, D. C.

Such an appropriation will be relatively small, as compared to the total cost of the State's employment service, in view of its enlarged functions under this act. (The bulk of the cost will be financed from Federal money, raised largely from employers subject to the Federal pay-roll tax and the State unemployment compensation law. Not only such employers will benefit by an effective State-wide employment service, but also the entire community.) Hence it is essential that the State (from general tax funds) appropriate at least the suggested small fraction of the total cost of its employment service.

(2) Separate "guaranteed employment accounts."

The Federal economic security measure includes certain standards which would apply to any such account permitted under a State law. (The State law could, however, provide additional standards.)

Provisions (amending the foregoing bill) to permit such accounts are now being drafted by the Committee on Economic Security, for due consideration by any interested State, and will shortly be sent to you.

PRELIMINARY DRAFT OF A SUGGESTED ALTERNATIVE STATE UNEMPLOYMENT COMPENSATION ACT NO. 2

(With employer "reserve" accounts and partial pooling)

[NOTE.—There is enclosed a suggested alternative bill, providing for a completely pooled fund]

The Federal measure for economic security now pending in Congress gives every State both opportunity and urgent reason for enacting a State unemployment compensation law in 1935.

The Federal security measure permits employers to credit (against the Federal pay-roll tax) their contributions under any State unemployment compensation law which meets certain minimum Federal standards.

Each State which passes such a law promptly will be able to set up a State unemployment compensation fund, thus using for State purposes that money which would otherwise be paid into the Federal Treasury by the State's employers.

To assist each State in enacting a suitable law, assuring its employers of the Federal tax credit, the President's Committee on Economic Security has had two model State bills prepared, after months of study and discussion.

These bills are carefully drafted to meet all the requirements of the Federal measure, including: (a) Standards for granting tax credits to employers; and (b) standards for granting Federal money to pay the administrative costs of such State laws.

(1) The attached model bill is of the "reserves" type. Under this type of bill, part of the total contributions paid into the State fund will be pooled; but the major part of each employer's contributions will be segregated (within the fund) into separate employer accounts, and benefits will be paid from an employer's account only to his own eligible employees. After several years of contributions and benefit payments each employer's contribution rate will depend on his actual employment and benefit experience.

(2) An alternative model bill of the "pooled-fund" type is enclosed. Under that type of bill all contributions are paid into a single, undivided fund (with no segregation of the amounts paid in by each employer). Benefits will be paid from such pooled fund to any and all eligible employees. Provisions for varying employer contribution rates to some extent, based on their employment and benefit experience, may be incorporated in such a bill if the State so desires.

Wide latitude is thus left the several States in many respects: (a) As to the general type of unemployment compensation law to be adopted, with two types of model bill suggested, and also (b) as to many other important questions (amount and duration of benefits, etc.).

It is suggested, however, that each State executive or legislator who plans to make any change in either of the model bills (prepared by the Committee on Economic Security) might do well to write the committee for advice on the vital question: "Would the proposed change prevent the State law from qualifying for (a) Federal tax credits to employers, and (b) Federal aid for State administration?"

By thus writing the Committee on Economic Security, each State can be advised whether the proposed changes: (a) Will meet Federal requirements, and (b) are consistent, or conflict with other provisions of the model bill itself.

The committee's address is 1734 New York Avenue, Washington, D. C.

TOPICAL OUTLINE OF BILL

Section 1. Short title.

Section 2. Declaration of the State's public policy.

Section 3. Definitions: (1) Benefit, (2) commission, (3) contributions, (4)

- eligibility, (5) employee, (6) employer, (7) employer's reserve account, (8) employment, (9) employment office, (10) full-time weekly wage, (a) hourly rate of earnings, (b) full-time weekly hours, (11) fund, (12) partial unemployment, (13) pay roll, (14) pooled account, (15) total unemployment, (16) unemployment administration fund, (17) wages, (18) waiting-period unit, (19) week, (20) week of employment.
- Section 4. Unemployment compensation fund: (1) Fund, (2) withdrawals, (3) treasurer, (4) deposit, (5) pooled account, (6) employer accounts.
- Section 5. Contributions: (1) Payment, (2) standard rate of contributions, (3) 1936¹ and 1937 contribution rates; (4) contributions to pooled account, (5) future total rates, based on benefit experience, (6) contributions by employees.¹
- Section 6. Benefits: (1) Payment of benefits, (2) weekly benefits for total unemployment, (3) weekly benefits for partial unemployment, (4) one-to-four ratio of benefits to employment, (5) maximum weeks of benefit in any year, (6) lump sum benefit option, (7) additional benefits (one-to-twenty ratio).
- Section 7. Benefit eligibility conditions: (1) Required probationary period, (2) availability and registration for work, (3) waiting period², (4) during trade disputes, (5) voluntary leaving, (6) discharge for misconduct², (7) refusal of suitable employment, (8) employees barred from benefits by wage disqualification.¹
- Section 8. Settlement of benefit claims: (1) Filing, (2) initial determination, (3) appeals, (4) appeal tribunals, (5) procedure, (6) commission review, (7) appeal to courts, (8) oaths and witnesses.
- Section 9. Court Review: (Not drafted, because of differences in State courts, etc.)
- Section 10. *Unemployment compensation commission*: (1) Organization, (2) salaries, (3) quorum.
- Section 11. Administration: (1) Duties and powers of commission, (2) general commission rules, (3) publication, (4) personnel, (5) advisory councils, (6) employment stabilization, (7) records and reports, (8) representation in court, (9) State-Federal cooperation, (10) employment offices.
- Section 12. Acceptance of act of Congress, relating to employment service: (1) Formal acceptance, (2) State employment service, (3) financing.
- Section 13. Reciprocal benefit arrangements with other States.
- Section 14. Protection of rights and benefits: (1) Waiver of rights void, (2) limitation of fees, (3) no assignment or garnishment of benefits.
- Section 15. Collection of contributions: (1) Interest on tardy payments, (2) bankruptcy, (3) court action.
- Section 16. Penalties.
- Section 17. Unemployment administration fund: (1) Special fund, (2) Federal aids, (3) employment-service account.
- Section 18. Appropriations.
- Section 19. Saving clause.
- Section 20. Separability of provisions.
- Section 21. Effective date.

A BILL RELATING TO UNEMPLOYMENT COMPENSATION, PROVIDING PENALTIES AND MAKING APPROPRIATIONS

SECTION 1. SHORT TITLE

This act shall be known and may be cited as the "unemployment compensation law."

SECTION 2. DECLARATION OF THE STATE'S PUBLIC POLICY

NOTE.—The sponsor of a State bill will probably wish to draft the statement of public policy. The following statement is appropriate and may be used if desired, but this precise wording is not essential to conform to the proposed Federal legislation:

As a guide to the interpretation and application of this act, the public policy of this State is declared to be as follows: Economic insecurity due to unemployment is a serious menace to the health, morals, and welfare of the people of this State. Involuntary unemployment is therefore a subject of general

¹ Indicates a completely optional provision.

² Two alternative provisions suggested.

interest and concern which requires appropriate action by the legislature to prevent its spread and to lighten its burden, which now so often falls with crushing force upon the unemployed worker and his family. Social security requires protection against this greatest hazard of our economic life. This can best be provided by requiring the systematic accumulation by employers of reserve funds, from which cash benefits can be paid to their workers when unemployed. A sound unemployment compensation law should help to encourage employers to provide more steady work, to maintain the purchasing power of workers becoming unemployed, and thus to prevent and limit the serious social consequences of poor relief assistance. The legislature, therefore, declares that in its considered judgment the public good and the general welfare of the workers of this State require the enactment of this measure for the compulsory setting aside of unemployment reserves to be used for the benefit of persons unemployed through no fault of their own.

SECTION 3. DEFINITIONS

The following words and phrases as used in this act shall have the following meanings unless the context clearly requires otherwise:

(1) "Benefit" means the money payable to an employee as compensation for his wage losses due to unemployment as provided in this act.

(2) "Commission" means the Unemployment Compensation Commission established by this act or its authorized representative.

NOTE.—If another administrative agency than that suggested herein is used, the name of such agency should be abbreviated and defined, and when the word "commission" appears, the abbreviated name of such agency should be substituted.

(3) "Contributions" means the money payments to the State unemployment compensation fund pursuant to this act.

(4) Eligibility: An employee shall be deemed "eligible" for benefits for any given week of his partial or total unemployment (occurring subsequent to any required waiting period) only when he is not disqualified by any provision of this act from receiving benefits for such week of unemployment.

(5) "Employee" means any person employed by an employer subject to this act and in employment subject to this act.

(6) "Employer" means any person, partnership, association, corporation, whether domestic or foreign, or the legal representative, trustee in bankruptcy, receiver, or trustee thereof, or the legal representative of a deceased person, including this State and any municipal corporation or other political subdivision thereof,³ who or whose agent or predecessor in interest has employed at least four persons in employment subject to this act within each of 13 or more calendar weeks in the year 1935 or any subsequent calendar year: *Provided*, That such employment in 1935 shall make an employer subject on January 1, 1936, and such employment in any subsequent calendar year shall make a newly subject employer subject for all purposes as of January 1 of the calendar year in which such employment occurs. In determining whether an employer (of any person in the State) employs enough persons to be an "employer" subject hereto, and in determining for what contributions he is liable hereunder, he shall, whenever he contracts with any contractor or subcontractor for any work which is part of his usual trade, occupation profession, or business, be deemed to employ all persons employed by such contractor or subcontractor on such work, and he alone shall be liable for the contributions measured by wages paid to such persons for such work; except as any such contractor or subcontractor, who would in the absence of the foregoing provisions be liable to pay said contributions, accepts exclusive liability for said contributions under an agreement with such employer made pursuant to general commission rules. All persons thus employed by an employer (of any person) within the State, in all of his several places of employment maintained within the State, shall be treated as employed by a single "employer" for the purposes of this act: *Provided, moreover*, That where any person, partnership, association, corporation, whether domestic or foreign, or the

³ The inclusion of the State and local governments as employers is not required in the proposed Federal legislation. Congress does not have the power to tax the pay rolls of State and local governments, and obviously could not require State and local governments to contribute to a State unemployment compensation act. It is suggested, however, that State and local employees be covered, except those in the employments exempted in paragraphs (a) to (d) of the "employment" definition below.

legal representative, trustee in bankruptcy, receiver, or trustee thereof, or the legal representative of a deceased person, either directly or through a holding company or otherwise, has a majority control or ownership of otherwise separate business enterprises employing persons in the State, all such enterprises shall be treated as a single "employer" for the purposes of this act. Any employer subject to this act shall cease to be subject hereto only upon a written application by him and after a finding by the Commission that he has not within any calendar week within the last completed calendar year employed four or more persons in employment subject hereto. Any employer (of any person within the State) not otherwise subject to this act shall become fully subject hereto, upon filing by such employer with the Commission of his election to become fully subject hereto for not less than 2 calendar years, subject to written approval of such election by the Commission.

(7) "Employer's reserve account" means a separate benefit reserve account maintained within the fund for the employer (or group) pursuant to this act. In determining the year's record or status of an employer's reserve account (as of December 31), benefits shall be charged against it on the date when paid, and the employer's contributions payable for the year shall be credited if paid no later than February 1 of the succeeding year.

(8) "Employment" means any employment in which all or the greater part of person's work (within the continental United States) is or was customarily performed within this State, under any contract of hire, oral or written, express or implied, whether such person was hired and paid directly by the employer or through any other person employed by the employer, provided the employer had actual or constructive knowledge of such contract. Such employment shall include the person's entire employment (in all States, including the District of Columbia). In the case of all other persons employed partly in this State and partly in other States, the term "employment" shall include the employment of such persons to the extent prescribed by general rules adopted by the commission. Except as provided in any reciprocal benefit arrangement made pursuant to this act, "employment" shall not include any employment included in any unemployment compensation system established by an act of Congress.

Nor shall the term "employment" apply to:⁴

(a) Employment on a governmental relief project approved by the commission.

(b) Employment as an elected or appointed public officer.

(c) Employment by a governmental unit on an annual salary basis.

(d) Employment as a teacher in a public school, college or university.

(9) "Employment office" means that free public employment office (operated by the State) or branch thereof nearest to the employee's place of residence or employment, unless otherwise prescribed by the commission.

(10) An employee's "full-time weekly wage" means the weekly earnings such employee would average from his employment (by the employer in question) if employed at the "hourly rate of earnings" and for the "full-time weekly hours" applicable to such employee. (Where an employee had or has concurrent employments, they shall be combined in determining his full-time weekly wage for benefit purposes, pursuant to general commission rules.)

(a) The applicable "hourly rate of earnings" shall be determined by averaging the employee's actual earnings for at least 100 hours of employment by the employer, so far as practicable, pursuant to general commission rules.

(b) An employee's "full-time weekly hours" shall mean the standard maximum weekly hours which can lawfully be worked by the employee (in the employment in question) under the applicable Federal code of fair competition or under any applicable State code or law specifying lower maximum weekly hours. Where there is no code or law applicable, the employee's full-time weekly hours shall be determined as follows: There shall be classified together all those employees usually employed by the employer both at reasonably similar work and for substantially the same weekly hours. There shall be determined the number of weekly hours prevailing worked by the given class of employees, for each separate week of the preceding calendar year. There shall then be averaged such prevailing weekly hours of all weeks in which such hours were 30 or more. The resulting average shall constitute the full-time weekly hours applicable to each employee of the given class for benefit

⁴The last sentence and exemptions (a) to (d) should be omitted if State and local governments are excluded from the "employer" definition (6) above.

purposes throughout the current calendar year. Where the commission finds that the above method cannot reasonably and fairly be applied, it may by general rule or special order prescribe an equitable alternative method for determining a full-time standard of not less than 30 weekly hours for benefit purposes. In the case of any employee who is found by the commission, at the time he becomes eligible for benefits, to be unable by reason of physical disability or by reason of continuing personal obligations (other than employment) to work half the full-time weekly hours which prevail in such establishment for full-time employees, the commission shall determine his full-time weekly hours for benefit purposes by averaging his weekly hours for all weeks (in at least the past 3 months) in which he worked.

(11) "Fund" means the unemployment compensation fund established by this act, to which all contributions and from which all benefits required under this act shall be paid.

(12) "Partial unemployment": An employee shall be deemed "partially unemployed" in any calendar week of partial work if he fails to earn in wages (and/or any other pay for personal services, including net earnings from self-employment) for such week at least \$1 more than the amount of weekly benefits for total unemployment he might receive if totally unemployed and eligible.

(13) "Pay roll" means the total amount of all wages payable by the employer to his employees, commencing with wages payable for employment occurring after the employer becomes newly subject to this act.

(14) "Pooled account" means that portion of the fund which is mingled and undivided, as provided in this act.

(15) "Total unemployment": An employee shall be deemed "totally unemployed" in any calendar week in which he performs no wage-earning services whatsoever, and for which he earns no wages (and no other pay for personal services, including net earnings from self-employment), and in which he cannot reasonably return to any self-employment in which he has customarily been engaged.

(16) "Unemployment administration fund" means the unemployment compensation administration fund established by this act.

(17) "Wages" means every form of remuneration for employment received by a person from his employer, whether paid directly or indirectly by the employer, including salaries, commissions, bonuses, and the reasonable money value of board, rent, housing, lodging, payments in kind, and similar advantages.

(18) "Waiting-period unit" means a period (for which no benefits are payable but during which the employee is in all other respects eligible) consisting of either 1 week of total unemployment or 2 weeks of partial unemployment, required as a condition precedent to the receipt of benefits for subsequent unemployment, as prescribed in this act.

(19) "Week" means calendar week.

(20) "Week of employment" means each calendar week (occurring at least 1 year after contributions first become generally due under this act from employers then subject hereto, and occurring after the probationary period per different employer required hereunder) within which the person in question performed any employment subject to this act for any employer subject to this act: *Provided, however*, That any week (occurring within the customary school vacation periods) in which an employer employed an employee who attended a school, college, or university in the last preceding school term, shall not be counted as a "week of employment" in determining the benefit rights of such employee under this act. In the case of an employee working for several employers in the same week, the apportionment for benefit purposes of such "week of employment" to one or more of such employers shall be determined pursuant to general commission rules.

SECTION 4. UNEMPLOYMENT COMPENSATION FUND

(1) *Fund*.—There is hereby created the unemployment compensation fund, to be administered by the commission without liability on the part of the State beyond the amounts paid into and earned by the fund. This fund shall consist of all contributions and money paid into and received by the fund as provided by this act, of property and securities acquired by and through the use of moneys belonging to the fund, and of interest earned upon the moneys belonging to the fund.

(2) *Withdrawals*.—The fund shall be administered in trust and used solely to pay benefits, upon vouchers drawn on the fund by the commission pursuant to general commission rules, and no other disbursement shall be made herefrom. Such rules shall be governed by and consistent with any applicable constitutional requirements, but the procedure prescribed by such rules shall be deemed to satisfy (and shall be in lieu of) any and all statutory requirements (for specific appropriation or other formal release by State officers of State moneys prior to their expenditure) which might otherwise be applicable to withdrawals from the fund.

NOTE.—The first sentence of the above subsection is necessary to conform to the requirement of the Federal bill that the fund be used exclusively for the payment of benefits. Administrative expenses will have to be paid from Federal allotments for this purpose or from other sources. Attention is called to the fact that the number of benefit payments to be made from the State fund will be extremely large in most States, though the amount of the individual payments will be small. It is therefore advisable to utilize a method of withdrawals from the fund which will involve a minimum of administrative expense, consistent with adequate protection of the fund. In some States the customary procedure for the payment from public funds would be unnecessarily expensive.

(3) *Treasurer*.—The commission shall designate a treasurer of the fund, who shall pay all vouchers duly drawn upon the fund, in such manner as the commission may prescribe. He shall have custody of all moneys belonging to the fund and not otherwise held or deposited or invested pursuant to this action. The treasurer shall give bond conditioned on the faithful performance of his duties as treasurer of the fund, in a form prescribed by statute or approved by the attorney general, and in an amount specified by the commission and approved by the Governor. All premiums upon bonds required pursuant to this section when furnished by an authorized surety company or by a duly constituted governmental bonding fund shall be paid from the unemployment administration fund. The treasurer shall deposit and/or invest the fund under the supervision and control of the commission, subject to the provisions of this act.

(4) *Deposit*.—All contributions paid under this act shall upon collection be deposited in or invested in the obligations of the "unemployment trust fund" of the United States Government or its authorized agent, so long as said trust fund exists, notwithstanding any other statutory provision to the contrary. The commission shall requisition from the unemployment trust fund necessary amounts from time to time.

NOTE.—The above subsection (4) is necessary to meet the requirements of the Federal bill.

The wording of the entire section creating the State unemployment compensation fund is also important, because of constitutional provisions concerning the custody and management of "State funds" in several States. Four States (California, New Mexico, Wyoming, and Michigan) require the deposit of "State funds" or "public funds" in State or national banks. Since it is anticipated that the United States Treasury will designate banks within the State to act as its agent, even the constitutional provisions of these States do not conflict with the requirements of the Federal economic security bill for the deposit of State unemployment compensation funds with the unemployment trust fund of the United States.

(5) *Pooled account*.—The commission shall maintain within the fund a pooled account, in accordance with the following requirements: There shall be credited to such pooled account (a) the contributions of each employer, to the extent of —⁵ percent of his pay roll; and (b) all realizing earnings, gains, or losses on investments of the funds; and (c) any balance remaining in the reserve account of an employer after he has for any reason ceased to be subject to this act, except as the commission may in such case apportion (to any successor employer's reserve account) all or part of the assets and benefit liabilities of the reserve account of such former employer.⁶ The fund's pooled

⁵ This figure is 1 percent, in the pending economic security measure, but is, of course, subject to final action by Congress.

⁶ Contributions by employees might cause some administrative complications if paid into separate employer accounts. If employee contributions are nevertheless required by a State law of this "reserves" type, they could be paid into the fund's "pooled account", by inserting the following words (at the point above indicated): "; and (d) all contributions required from employees under this act."

account, as thus constituted, shall be mingled and undivided. It shall pay benefits to all eligible employees, but only when (and to the extent that) the reserve accounts of their employers cannot, because exhausted, pay the benefits due such employees.

(6) *Employer accounts.*—The commission shall maintain within the fund a separate benefit reserve account for each employer; and shall credit to such account all amounts contributed to the fund by the employer, excepting his required contributions to the fund's pooled account. Each employer's reserve account shall, unless exhausted, pay to his eligible employees all their benefits duly chargeable under this act against their weeks of employment by such employer. In determining when and for how long an employer's reserve account is exhausted, the commission shall consider only the employer's paid and payable contributions, to the exclusion of any accrued contributions not yet due for payment. Any employer may at any time make voluntary payments, additional to the contributions required under this act, to his reserve account in the fund, pursuant to general commission rules. Whenever two or more employers file an application to merge their several reserve accounts in a joint (group) account in the fund, as if they constituted a single employer, the commission shall maintain such joint account (as if it were a single employer's reserve account), subject to such general rules for the conduct and dissolution of joint accounts as it may prescribe.

SECTION 5. CONTRIBUTIONS

(1) *Payment.*—On and after the 1st day of January 1936, contributions shall accrue and become payable by each employer then subject to this act. Thereafter contributions shall accrue and become payable by any new employer on and after the date on which he becomes newly subject to this act. The contributions required hereunder shall be paid by each employer in such manner and at such times as the commission may prescribe.

(2) *Standard rate of contributions.*—The total contributions regularly payable by each employer shall be an amount equal to 3 percent of his pay roll, except as otherwise provided in this act.

NOTE.—The Federal pay-roll tax on employers (under the economic security bill) will be 3 percent for the year 1938, and thereafter.

For the years 1936 and 1937, however, the tax rate (which will depend on a Federal index of production) may be 3 percent, 2 percent, or 1 percent. (Of course all provisions of the Federal bill are subject to possible change by Congress.)

Any State which desires to make its 1936 and 1937 contribution rates correspond exactly to the tax-rate clauses, of the Federal security measure (as introduced) can use the following language:

(Optional provision)

(3) *1936 and 1937 contribution rates.*—The total contributions payable by each employer for the calendar years 1936 and 1937 shall be determined as follows: (a) If the Federal Reserve Board's adjusted index of total industrial production averages, for the year ending September 30, 1935, not more than 84 percent of its average for the years 1923–25, inclusive, the commission shall certify that fact to the secretary of state, and each employer shall contribute for the calendar year 1936 an amount equal to 1 percent of his pay roll; (b) if such index averages, for such year, more than 84 percent but less than 95 percent of such earlier average, such fact shall be so certified, and each employer shall contribute for the calendar year 1936 an amount equal to 2 percent of his pay roll; (c) if such index averages, for the year ending September 30, 1936, not more than 84 percent of such earlier average, such fact shall be so certified, and each employer shall contribute for the calendar year 1937 an amount equal to 1 percent of his pay roll, except that in no event shall the measure of contributions for the calendar year 1937 be less than the measure of contributions for the calendar year 1936; (d) if such index averages, for the year ending September 30, 1936, more than 84 percent but less than 95 percent of such earlier average, such fact shall be so certified, and each employer shall contribute for the calendar year 1937 an amount equal to 2 percent of his pay roll, except that in no event shall the measure of contributions for the calendar year 1937, be less than the measure of contributions for the calendar year 1936.

NOTE.—The following provision, for contributions to be paid by all employers to a "pooled account", will help to assure uniform benefit protection to all employees, since benefits will be paid from this "equalization" fund to any employee after the reserve account of his employer has been exhausted.

(4) *Contributions to pooled account.*—Of his total contributions required hereunder, each employer shall at all times contribute —⁷ percent on his pay roll to the fund's pooled account.

NOTE.—The following provisions, which are vital to any measure of the "reserves" type, are designed: (a) To assure that each employer's account will be or become adequate for benefit purposes; and (b) to assure to each employer in advance a higher or lower contribution rate, based directly on his own unemployment and benefit experience; and thereby (c) to encourage each employer to provide more steady employment.

(5) *Future total rates, based on benefit experience.*—The total contribution rate required of each employer shall (after he has contributed for at least 3 years) be based directly on the contribution and benefit experience of his reserve account in the fund, and shall be determined by the commission for each calendar year, at its beginning, pursuant to all the following conditions:

(a) If the benefits payable from an employer's reserve account within any calendar year are greater than his contributions to such account for such year, his contribution rate for the next calendar year shall increase 1 percent on his pay roll, unless his reserve account then equals at least —⁸ percent of his pay roll for the last completed calendar year.

(b) No employer's contribution rate shall be reduced unless he has had benefit experience throughout the most recently completed calendar year without the benefits payable from his reserve account within such year being scaled down or paid by the fund's pooled account, and unless his reserve account at the start of the calendar year equals at least —⁹ times the largest amount of benefits paid from such account within any one of the —¹⁰ most recently completed calendar years.

(c) If an employer's reserve account at the start of the given calendar year equals at least —^{*} percent of his pay roll for the preceding calendar year, his total contribution rate shall be reduced to —^{**} percent on his pay roll throughout the given year.

NOTE.—This section is required by the proposed Federal act, which specifies as minimum requirements:

* 15 percent.

** 1 percent.

These figures are subject to final action by Congress, amendments to lower them are under consideration. If adopted, a provision along the following line would be appropriate:

(Alternative provision)

(Not now permitted under the Federal bill)

(c) If an employer's reserve account at the start of the given calendar year equals at least 7½ percent of his pay roll for the preceding calendar year, his total contribution rate shall be reduced to 1½ percent on his pay roll throughout the given calendar year; and if his account thus equals at least 12 percent of such preceding pay roll, his total contribution rate shall be reduced to one-half of 1 percent on his pay roll throughout the given calendar year.

NOTE.—Contributions by employees might cause some administrative complications if paid into separate employer accounts. If a State nevertheless desires to include employee contributions in a bill of this "reserves" type, the following subsection (6) could be used:

(Optional provision)

(6) *Contributions by employees.*—Each employee shall contribute to the fund's pooled account 1 percent of his wages. Each employer shall be respon-

⁷ This figure is 1 percent, under the pending economic security measure, but is, of course, subject to final action by Congress.

⁸ *Optional provision.*—The Federal measure as introduced does not require this provision or specify any figure, but 5 percent is here suggested.

⁹ *Optional provision.*—The Federal measure as introduced does not specify these figures. "Five" is suggested at this point.

¹⁰ "Three" is suggested at this second point.

sible for withholding such contribution from the wages of his employees, shall show such deduction on his pay roll records, and shall transmit all such contributions to the fund pursuant to general commission rules.

NOTE.—No State is required to include the foregoing subsection (6). It is being set forth here for due consideration by each State.

Worker contributions cannot be offset or credited against the Federal tax on pay rolls, which is payable by employers alone. Hence the inclusion by a State of subsection (6) would not be a substitute for, but rather an addition to, the contributions above required from employers.

Additional contributions to the fund, from any source, would of course make possible additional benefits from the fund. (See the "actuarial memorandum" as to what benefits could be paid with additional contributions.)

SECTION 6. BENEFITS

(1) *Payments of benefits.*—After contributions have been due under this act for 2 years benefits shall become payable from the fund to any employee who thereafter is or becomes unemployed and eligible for benefits, based on his weeks of employment as defined in this act, and shall be paid through the employment office at such times and in such manner as the commission may prescribe.

NOTE.—The above provisions should not be altered, since the proposed Federal bill requires as a condition for the allowance of credit against the Federal pay-roll tax that payment of all compensation must be made through the public employment offices in the State and must commence 2 years after contributions are first made under the State law.

(2) *Weekly benefits for total unemployment.*—An employee totally unemployed and eligible in any week shall be paid benefits (computed to the nearest half-dollar) at the rate of 50 per centum of his full-time weekly wage, with maximum benefits of \$15 per week and minimum benefits of \$—¹¹ per week.

NOTE.—The maximum weekly benefit of \$15 per week indicated here is open to change by the State. It is not required by the Federal bill. It is presumed that each State will desire to fix a maximum which it deems appropriate in the particular State. Official commissions on unemployment insurance in New York, Ohio, California, and Virginia have recommended a maximum of \$15 per week, while the New Hampshire commission recommended \$14. The maximum in the Wisconsin law is \$10, but the contribution rate 2 percent.

(3) *Weekly benefits for partial unemployment.*—An employee partially unemployed and eligible in any week shall be paid sufficient benefits so that his week's wages (and/or any other pay for personal services, including net earnings from self-employment) and his benefits combined will be \$1 more than the weekly benefit to which he would be entitled if totally unemployed in that week.

NOTE.—The above subsection (3) is open to change by the State. However, unless larger contributions than a rate of 3 percent are required, it is suggested that partial benefits should be limited as above provided. This provision gives only a small advantage in total compensation to the partially employed person over the totally unemployed person; but it must be remembered that the person who is drawing partial benefits is not thereby exhausting his benefit rights as rapidly as the person who is drawing total benefits. While it would be desirable to provide more liberal benefits to partially unemployed persons, it must be recognized that the primary purpose of the fund is to provide protection to employees who are totally unemployed. Also, it is desirable to avoid large numbers of small claims for small amounts of partial unemployment because of the excessive administrative costs which would be involved.

¹¹ States may also wish to fix a minimum weekly benefit for total unemployment. Senate bill no 1 of New York provides a minimum of \$5. Few of the proposed unemployment compensation bills provide for any minimum. Practically all of the special commissions which have studied unemployment compensation in this country have recommended that the benefit rates be set at 50 percent of the full-time weekly earnings. With contributions of 3 percent, or even 4 percent, this is about the maximum weekly rate of benefit which can be provided, unless the duration of benefits is shortened. It is generally thought advisable to fix the benefit rates at this figure, and to adjust the duration of benefits and the waiting period to meet the employment experience of the State.

(4) *One-to-four ratio of benefits to employment.*—The aggregate amount of benefits an employee may at any time receive shall be limited by the number of his past weeks of employment against which benefits have not yet been charged hereunder. Each employee's benefits shall be thus charged against his most recent weeks of employment available for this purpose. Each employee shall receive benefits in the ratio of one-quarter week of total unemployment benefits (or an equivalent amount, as determined by general commission rules, of benefits for partial unemployment or for partial and total unemployment combined) to each week of employment of such employee occurring within the 104 weeks preceding the close of the employee's most recent week of employment.

NOTE.—This ratio will serve to guard the fund against excessive payment of benefits to those with only a limited amount of previous employment to their credit. The ratio may be lowered to 1 to 3 if it is desired to liberalize this provision, or raised to 1 to 5 if it is desired to make benefit requirements more stringent; but this would modify the actuarial basis of this bill to some extent.

(5) *Maximum weeks of benefit in any year.*—Benefits shall be paid each employee for the weeks during which he is totally or partially unemployed and eligible for benefits, based on his past weeks of employment; but not more than ¹² weeks of total unemployment benefits (or an equivalent total amount, as determined by commission rules, or benefits for partial unemployment or for partial and total unemployment combined) shall be paid any employee for his weeks of unemployment occurring within any 52 consecutive weeks.

(6) *Lump-sum benefit option.*—In lieu of paying to an eligible employee in weekly (or other) installments the maximum amount of benefits to which his past weeks of employment might entitle him under this act (the case he remained continuously unemployed and eligible), the commission may discharge the fund's entire benefit liability to such employee, based on his past weeks of employment, by paying him a lump sum equalling not less than 50 percent nor more than 80 percent of said maximum amount of benefits. But lump-sum payments shall be thus made only in unusual cases (such as when the employee has no prospect of securing employment in the locality, but may secure employment elsewhere). The commission shall by general rules determine on what percentage basis and under what unusual conditions such lump-sum payments shall be made, and each such case shall be subject to specific approval by the commission.

NOTE.—This provision is designed to encourage workers who have no further prospect of employment in the community (e. g., because of abandonment of a factory or mine) to seek employment elsewhere, rather than to remain in the community until their benefit rights are exhausted.

(7) *Additional benefits (1-to-20 ratio).*—An eligible employee who has received the maximum benefits permitted under subsection (5) shall receive additional benefits in the ratio of 1 week of total unemployment benefit (or its equivalent) to each unit of 20 aggregate weeks of employment occurring within the 260 weeks preceding the close of the employee's most recent week of employment, and against which benefits have not already been charged under this act. Such additional benefits shall be charged against the employee's most recent weeks of employment available for this purpose.

NOTE.—The above provision is recommended because foreign experience indicates that a large proportion of employees will draw no benefits for a number of years. These employees will have an especially valid claim to the additional benefits provided here, when because of a depression or technological change they lose their jobs and are unable to find other work.

SECTION 7. BENEFIT ELIGIBILITY CONDITIONS

(1) *Required probationary period.*—An employee shall be deemed eligible for benefits, based on his employment by a given employer, only after he has been

¹² A maximum duration of 16 weeks has been most discussed, based on estimates of what could have been provided if an unemployment compensation system embodying the standards contained in this bill had been in operation from 1922-30 in the United States as a whole during that period. If a State has had more unemployment than the average for the United States it would be advisable for such State to provide for a shorter maximum duration of benefits than 16 weeks. Each State is advised to consult the "actuarial memorandum" accompanying this bill, to ascertain the maximum number of weeks of benefits it can safely provide.

employed by such employer on a monthly salary basis for 1 month within any 4 weeks of (subsequent to the first year of contributions under this act or to any later date on which the employer in question first becomes subject to this act). Where the commission finds, as to any definitely exceptional class of employees such as indentured apprentices, that the fitness of the employer to learn the given type of work cannot reasonably be determined within such 4 weeks or 1 month, the commission may by general rule approve for such class a longer maximum probationary period (included within 12 or less consecutive weeks), subject to such restrictions as the commission deems reasonable under the circumstances.

NOTE.—The above subsection (1) is designed to restrict benefit payments, in the case of workers making frequent changes in employment. It also affords each employer a limited but adequate chance to try out a new employee, without benefit liability in case the employee proves unsuited to the work. The probationary service period (per employer) should not be lengthened, because that would stimulate irregular, casual hiring and firing and would run counter to the purposes of the act.

(2) *Availability and registration for work*.—An employee shall not be eligible for benefits in any week of his partial or total unemployment unless in such week he is physically able to work and available for work, whenever duly called for work through the employment office. To prove such availability for work, every employee partially or totally unemployed shall register for work and shall file claim for benefits at the employment office, within such time limits and with such frequency and in such manner (in person or in writing) as the commission may by general rule prescribe. No employee shall be eligible for benefits for any week in which he fails without good cause to comply with such registration and filing requirements. A copy of the commission's rules covering such requirements shall be furnished by it to each employer, who shall inform his employees of the terms thereof when they become unemployed.

(3) *Waiting period*.—Benefits shall be payable to an employee only for his weeks of unemployment occurring subsequent to a "waiting period" whose duration shall in each case be determined as follows:

(Alternative A): —¹³ waiting-period units shall be required of the employee per each different employer by whom he has been employed within the 52 weeks preceding the start of such waiting period.

There shall not be counted toward an employee's required waiting period any week of total or partial unemployment in which he is ineligible for benefits under subsection (2), (4), (5), (6), or (7) of this section.

(Alternative B): An aggregate of —¹⁴ waiting-period units shall be required of the employee within the 52 weeks preceding the start of any given week of unemployment.

There shall not be counted toward an employee's required waiting period any week of total or partial unemployment in which he is ineligible for benefits under subsection (2), (4), (5), (6), or (7) of this section.

(4) *During trade disputes*.—An employee shall not be eligible for benefits for any week in which his total or partial unemployment is directly due to a labor dispute still in active progress in the establishment in which he is or was last employed.

(5) *Voluntary leaving*.—An employee who has left his employment voluntarily without good cause connected with such employment shall be ineligible for benefits for the week in which such leaving occurred and for the 3 next following weeks; provided, moreover, that such weeks shall be charged (as if benefits for total unemployment had been paid therefor) against the em-

¹³ In view of the above provision, for a separate waiting period per employer, this figure should not be set very high. If "two" were specified above, an employee who worked for 2 different employers would serve a 4 weeks' waiting period.

¹⁴ The Committee on Economic Security takes no position as to what the length of the waiting period should be. The State may specify a waiting period of 2, 3, or 4 weeks, or any other period it considers suitable. It should be emphasized, however, that a long waiting period will result in a considerable saving to the fund because of the large amount of unemployment of 2 or 3 weeks' duration, and that such saving will make possible a longer maximum duration of benefits to those unemployed longer than the waiting period. The "Actuarial memorandum" accompanying this bill should be consulted, and the appropriate adjustment made in the maximum duration of benefits allowed.

ployee's most recent weeks of employment (by the employer in question) against which benefits have not previously been charged hereunder.

NOTE.—The above subsection (5) is considered to be equitable. The period of disqualification may, of course, be lengthened, or the person quitting voluntarily without reasonable cause may be entirely disqualified, if the State so desires.

(6) *Discharge for misconduct.*—An employee who has been discharged for proved misconduct connected with his employment shall thereby become ineligible for benefit for the week in which such discharge occurred and for not less than the three nor more than the six next following weeks, as determined by the commission in each individual case; provided, moreover, that the ineligible weeks thus determined shall be charged (as if benefits for total unemployment had been paid therefor) against the employee's most recent weeks of employment (by the discharging employer) against which benefits have not previously been charged hereunder, and shall also be counted against his maximum weeks of benefit per year.

(7) *Refusal of suitable employment.*—If an otherwise eligible employee fails, without good cause, either to apply for suitable employment when notified by the employment office, or to accept suitable employment when offered him he shall thereby become ineligible for benefits for the week in which such failure occurred and for the 3 next following weeks; provided, moreover, that such weeks shall be charged (as if benefits for total unemployment had been paid therefor) against the employee's most recent weeks of employment against which benefits have not previously been charged hereunder, and shall also be counted against his maximum weeks of benefit per year.

"Suitable employment" shall mean any employment for which the employee in question is reasonably fitted, which is located within a reasonable distance of his residence or last employment, and which is not detrimental to his health, safety, or morals. No employment shall be deemed suitable, and benefits shall not be denied under this act to any otherwise eligible employee for refusing to accept new work, under any of the following conditions: (a) If the position offered is vacant due directly to a strike, lockout, or other labor dispute; (b) if the wages, hours, and other conditions of the work offered are less favorable to the employee than those prevailing for similar work in the locality; (c) if acceptance of such employment would either require the employee to join a company union or would interfere with his joining or retaining membership in any bona fide labor organization.

NOTE.—The above definition of "suitable employment" is required in the Federal bill, and the wording of the entire last sentence should not be altered.

(Optional provision)

(8) *Employees barred from benefits by wage disqualification.*—An employee shall not be eligible for any benefits whatever based on his past weeks of employment by a given employer, if he loses his employment with such employer after being regularly employed by him (for at least 20 out of the last 24 calendar months) on a minimum salary basis (payable and paid, for each of such 20 months, whether or not the employer had wage-earning work available for the employee) amounting to at least \$—— per month.

NOTE.—No State is required to include in its law the above subsection (8). Any denial of benefits to an employee, because his wages have been relatively high, is very complicated to administer and apt to be inequitable in many cases.

The \$15 weekly benefit maximum will in itself result in higher-paid workers receiving in benefits a relatively lower percentage of their full-time weekly wages.

If some wage disqualification is to be used, it should not be based on mere hourly or weekly wage rates but rather on annual (salary) earnings.

Hence, the above subsection is set forth (as the best provision of this type) without being recommended.

SECTION 8. SETTLEMENT OF BENEFIT CLAIMS

NOTE ON HANDLING CLAIMS.—The following section has the great advantage of leaving the appeal arrangements flexible, so that they can be set up (and changed) by the administrative authority after further study and experience, without the necessity of legislative amendments.

(1) *Filing.*—Benefit claims shall be filed at the employment office, pursuant to general commission rules.

(2) *Initial determination.*—A deputy designated by the commission shall promptly determine whether or not the claim is valid, and the amount of benefits apparently payable thereunder, and shall duly notify the employee and his most recent employer of such decision. Benefits shall be paid or denied accordingly, unless either party requests a hearing within 5 calendar days after such notification was delivered to him or was mailed to his last known address.

(3) *Appeals.*—Unless such request for a hearing is withdrawn, the claim thus disputed shall be promptly decided, after affording both parties reasonable opportunity to be heard, by such appeal tribunal as the commission may designate or establish for this purpose. The parties shall be duly notified of such tribunal's decision, which shall be deemed a final decision by the commission except in cases where the commission acts on its own motion or, pursuant to general rules, permits the parties to initiate further appeal or review.

(4) *Appeal tribunals.*—To hear and decide disputed claims, the commission may establish one or more appeal tribunals consisting in each case of one full-time salaried examiner (or commissioner) who shall serve as chairman, and of two other members, namely an employer or representative of employers and an employee or representative of employees, who shall each be paid a fee of not more than \$10 per day of active service on such tribunal (plus necessary expenses) and shall serve until replaced by the commission, except that no person shall hear any case in which he is a directly interested party. The chairman of such appeal tribunal may act for it at any session in the absence of one or both other members, provided they have had due notice of such session.

(5) *Procedure.*—The manner in which claims shall be presented, the reports thereon required from the employee, and from employers, and the conduct of hearings and appeals shall be governed by general commission rules (whether or not they conform to common law or statutory rules of evidence and other technical rules of procedure) for determining the rights of the parties. A full and complete record shall be kept of all proceedings in connection with a disputed claim. All testimony at any hearing shall be taken down by a stenographer, but need not be transcribed unless the disputed claim is further appealed.

(6) *Commission review.*—The commission shall have the power to remove or transfer the proceedings on any claim pending before a deputy, appeal tribunal, or commissioner; and may on its own motion (within 10 days after the date of any decision by a deputy, appeal tribunal, commissioner, or by the commission as a body) affirm, reverse, change, or set aside any such decision, on the basis of the evidence previously submitted in such case, or direct the taking of additional testimony.

(7) *Appeal to courts.*—Except as thus provided, any decision (unless appealed pursuant to general commission rules) shall, 10 days after the date of such decision, become the final decision of the commission, and all findings of fact made therein shall (in the absence of fraud) be conclusive; and such decision shall then be subject to judicial review solely on questions of law. Such judicial review shall be barred unless the plaintiff party has used and exhausted the remedies provided hereunder and has commenced judicial action (with notice to the commission) within 10 days after a decision hereunder has become the final decision of the commission in the disputed case.

(8) *Oaths and witnesses.*—In the discharge of their duties under this section any deputy, any member of an appeal tribunal, and any examiner, commissioner, or duly authorized representative of the commission shall have power to administer oaths to persons appearing before them, take depositions, certify to official acts, and by subpoenas (served in the manner in which court subpoenas are served) to compel attendance of witnesses and the production of books, papers, documents, and records necessary or convenient to be used by them in connection with any disputed claim. Witness fees and other expenses involved in proceedings under this section shall be paid to the extent necessary, at rates specified by general commission rules, from the unemployment administration fund.

SECTION 9. COURT REVIEW

Each State should draft a section consistent with its judicial structure and procedure. This section should specify: (1) Type of legal action, (2) the court or courts to be used, (3) transmission by the commission of the record in the case, (4) assessment of court costs, and so forth.

Some States have, under their accident compensation laws, found it desirable to have a single court handle all such cases, thereby developing a tribunal with specialized knowledge and experience in this field. Such procedure might well be followed in the new field of unemployment compensation.

*Note on administrative organization (possible types).—*The work involved in the administration of a State unemployment compensation law will be very considerable.

The administrative expenses (including the operation of public employment offices), judging by experience abroad, will be at least 10 percent of the annual contributions. For each million of population, if the State's employment and wage rates are about the average of the entire country, unemployment compensation contributions (at 3 percent) would average about \$3,500,000 annually under existing conditions, and the administrative expenses (at 10 percent) would be about \$350,000 annually (per million of population) after benefits start. (Federal grants will cover most of these administration costs, provided the State administration complies with Federal standards.)

Hence, many States will desire to create a new full-time commission, suitable for dealing with the many new accounting, legal, and administrative problems. This bill embodies the organization of such a commission (see sect. 10 below), briefly as follows:

1. Administration by a new salaried commission of three members, which will determine the policies, adopt necessary rules and regulations, act as the board of review for appealed cases, and have general supervision of the routine administration through a director or a secretary.

However, some States, in the light of their present administrative organization or because of a smaller volume of work, may wish to consider the following alternative plans of organization:

2. Administration under the present labor department, but with a new division headed by an executive director in direct charge of administering the unemployment compensation act and the employment offices. If this is done, a part-time or full-time commission to help in formulating general policies and to review appealed benefit cases is desirable.

3. A new part-time (per diem) board, with a salaried executive director. Such a part-time board would review appealed benefit cases, have jurisdiction over general policies, pass upon rules and regulations, and be responsible for the administration, selecting the director who would be subject to the board. (Such a part-time board should be used in smaller States.)

4. Administration by a single new commissioner, with a part-time (per diem) board appointed by him. Such a part-time board might well review appealed benefit cases, and would advise the commissioner on general policies. (Such part-time board should be used only in smaller States.)

SECTION 10. UNEMPLOYMENT COMPENSATION COMMISSION

(1) *Organization.*—There is hereby created a commission of three members, to be known as the Unemployment Compensation Commission of _____ (State)

The members of the commission shall be appointed by the Governor within 90 days after the passage of this act. The commissioners thus appointed shall serve, as designated by the Governor at the time of appointment, 1 for a term of 2 years, 1 for a term of 4 years, and 1 for a term of 6 years. At the expiration of such initial terms appointments shall be made for a term of 6 years in each case. Any appointment to a vacancy shall be for the unexpired term in question. No commissioner shall, during his term of office, engage in any other business, vocation, or employment, or serve as an officer or committee member of any political-party organization. The Governor may at any time, after public hearing, remove any commissioner for gross inefficiency, neglect of duty, malfeasance, misfeasance, or nonfeasance in office.

(2) *Salaries.*—Each commissioner shall be paid a fixed monthly salary, at the rate of — thousand dollars per year of service, from the unemployment administration fund.

NOTE.— To secure persons with ability, training, and experience reasonably equal to their new and difficult task, the State should expect to pay each commissioner approximately \$2,000 per million of State population, but not less than \$1,000 in any event.

(3) *Quorum.*—Any two commissioners shall constitute a quorum to transact business. No vacancy shall impair the right of the remaining commissioners

to exercise all of the powers of the commission, so long as a majority remain. The commission shall determine its own organization and methods of procedure.

SECTION 11. ADMINISTRATION

(1) *Duties and powers of commission.*—It shall be the duty of the commission to administer this act; and it shall have power and authority to adopt and enforce all reasonable rules and orders necessary or suitable to that end, and to employ any persons, make any expenditures, require any reports, and take any other action (within its means and consistent with the provisions of this act) necessary or suitable to that end. Annually, by the 1st day of February, the commission shall submit to the Governor a summary report covering the administration and operation of this act during the preceding calendar year, and making such recommendations as the commission deems proper. Whenever the commission believes that a change in contribution and/or benefit rates will become necessary to protect the solvency of the fund, it shall at once inform the Governor and the legislature thereof, and make recommendations accordingly.

(2) *General commission rules.*—General rules, interpreting or applying this act and affecting all (or classes of) employers, employees, or other persons or agencies, shall be adopted by the commission only after discussion with a representative State-wide advisory council (constituted as hereinafter described) or after public hearing (before the commission) of which notice has been given through the press. Such general commission rules shall, upon adoption by a majority of the commission, be duly recorded in its minutes and be filed with the secretary of state, and shall thereupon take legal effect. Such rules may be amended, in the same manner as is above provided for their adoption.

(3) *Publication.*—The commission shall cause to be printed in proper form for distribution to the public the text of this act, the commission's general rules, its annual report to the Governor, and any other material the commission deems relevant and suitable, and shall furnish the same to any person upon application therefor; and such printing and availability upon application shall be deemed a sufficient publication of the same.

(4) *Personnel.*—The commission is authorized, within its means, to appoint and fix the compensation of such officers, accountants, attorneys, experts, and other persons as are necessary in the execution of its functions. All positions in the administration of this act shall be filled by persons selected and appointed on a nonpartisan merit basis, under rules and regulations of the commission. The commission shall not employ or pay any person who is serving as an officer or committee member of any political party organization. The commission shall fix the duties and powers of all persons thus employed, and may authorize any such person to do any act or acts which could lawfully be done by a commissioner. The commission may in its discretion bond any person handling moneys or signing checks hereunder.

NOTE.—A nonpartisan merit basis must be used, to secure any Federal money for administrative costs.

(5) *Advisory councils.*—The commission shall appoint a State-wide advisory council and local advisory councils, composed in each case of equal numbers of employer representatives and employee representatives (namely of persons who may fairly be regarded as thus representative because of their vocation, employment, or affiliations), and of such members representing the public generally as the commission may designate. Such councils shall aid the commission in formulating policies and discussing problems related to the administration of this act and in assuring impartiality, neutrality, and freedom from political influence in the solution of such problems. Such advisory councils shall serve without compensation, but shall be reimbursed for any necessary expenses.

(6) *Employment stabilization.*—It shall be one of the purposes of this act to promote the regularization of employment in enterprises, localities, industries, and the State. The commission, with the advice and aid of its advisory councils, shall take all appropriate steps within its means to reduce and prevent unemployment; to encourage and assist in the adoption of practical methods of vocational training, retraining, and vocational guidance; to investigate, recommend, advise, and assist in the establishment and operation, by municipalities, counties, school districts, and the State, of reserves for public works to be used in times of business depression and unemployment; to promote the reemployment of unemployed workers throughout the State in every other

way that may be feasible; and to these ends to employ experts and to carry on and publish the results of investigations and research studies.

(7) *Records and reports.*—Every employer (of any person in this State) shall keep true and accurate employment records of all persons employed by him, and of the weekly hours worked for him by each, and of the weekly wages paid by him to each such person. Such records shall be open to inspection by the commission or its authorized representatives at any reasonable time and as often as may be necessary. The commission may require from any employer (of any person in this State) any reports covering persons employed by him, on employment, wages, hours, unemployment and related matters, which the commission deems necessary to the effective administration of this act. Information thus obtained shall not be published or be open to public inspection in any manner revealing the employer's identity, and any commission employee guilty of violating this provision shall be subject to the penalties provided in this act.

(8) *Representation in court.*—On request of the commission the attorney general shall represent the commission and the State in any court action relating to this act or to its administration and enforcement, except as special counsel may be designated by the commission with the approval of the Governor and except as otherwise provided in this Act.

(9) *State-Federal cooperation.*—The commission is hereby authorized and directed to cooperate in all necessary respects with the appropriate agencies and departments of the Federal Government, in the administration of this act and of free public employment offices; and to make all reports thereon requested by and directly interested Federal agency or department; and to accept any sums allotted or apportioned to the State for such administration, and to comply with all reasonable Federal regulations governing the expenditure of such sums.

(10) *Employment Offices.*—The commission shall establish and maintain such free public employment offices, including such branch offices, as may be necessary for the proper administration of this act. The commission shall maintain a division for this purpose. The existing free public employment offices of the State (if any) shall be transferred to the jurisdiction of such division; and upon such transfer all duties and powers conferred by law upon any other department, agency, or officer relating to the establishment, maintenance, and operation of free public employment offices shall be vested in such division. All moneys thereafter made available by or received by the State for the State employment service shall be paid to (and expended from) the unemployment administration fund, and a special "employment service account" shall be maintained for this purpose as a part of said fund.

SECTION 12. ACCEPTANCE OF ACT OF CONGRESS, RELATING TO EMPLOYMENT SERVICE

(1) *Formal acceptance.*—The State hereby accepts the provisions of the Wagner-Peyser Act approved June 6, 1933 (48 Stat. 113, U. S. C., title 29, sec. 49 (c), "An act to provide for the establishment of a national employment system and for cooperation with the States in the promotion of such system, and for other purposes," in conformity with section 4 thereof, and will observe and comply with the requirements of said act of Congress.

(2) *State employment service.*—There is hereby created, under the Unemployment Compensation Commission, a division to be known as the "State Employment Service", which shall be affiliated with the United States Employment Service. The said division is hereby designated and constituted the agency of this State for the purposes of the Wagner-Peyser Act. The said division shall be administered by a full-time salaried director, who is hereby given full power to cooperate with all authorities of the United States having powers or duties under the said act of Congress and to do and perform all things necessary to secure to this State the benefits of the said act of Congress in the promotion and maintenance of a system of public employment offices.

(3) *Financing.*—All moneys made available by or received by this State under said act of Congress shall be paid into a special "employment service account" in the unemployment administration fund, and said moneys are hereby appropriated and made available to the "State Employment Service" to be expended as provided by this act and by said act of Congress.

NOTE.—The Federal economic security measure requires that the State accept the provisions of the Wagner-Peyser Act for the establishment of an effective system of public employment offices.

The above section can be used for this purpose and can properly be included in this bill even where the State has already accepted the Wagner-Peyser Act.

This bill places the State employment service under the commission administering the unemployment compensation law, as is proper and virtually necessary for the effective operation of both the service and the law.

However, in case a given State does not wish to place its State employment service under the Unemployment Compensation Commission, then the above section should be omitted or modified, and subsection (10) of section 11 should also be modified. The Governor or the State's labor department should in that case secure advice from the United States Employment Service, Department of Labor, Washington, D. C., on the procedure and changes in this bill which would in that case become necessary.

SECTION 13. RECIPROCAL BENEFIT ARRANGEMENTS WITH OTHER STATES

The commission is hereby authorized, subject to approval by the Governor, to enter into reciprocal arrangements with the proper authorities, in the case of any other unemployment compensation system established by any State law or by an act of Congress, as to persons who have (after acquiring rights to benefits under this act or under such other system) newly come under this act or under such other system, whereby such benefits (or substantially equivalent benefits) shall be paid (or both paid and financed) in whole or in part through (or by) the fund of the unemployment compensation system newly applicable to such person. Such reciprocal arrangements shall be adopted and published by the commission in the same manner as its general rules.

NOTE.—The above section is designed to make possible reciprocal arrangements whereby an employee will not lose his benefit rights if he moves from one State to the other, or from employment covered by a direct act of Congress. The wording should not be altered.

SECTION 14. PROTECTION OF RIGHTS AND BENEFITS

(1) *Waiver of rights void.*—No agreement by an employee to waive his right to benefit or any other right under this act shall be valid. No agreement by an employee or by employees to pay all or any portion of the contributions required under this act from employers shall be valid. No employer shall make or require any deduction from wages to finance the contributions required of him, or require any waiver by an employee of any right hereunder. Any employee claiming a violation of this section may have recourse to the method set up in this act for deciding benefit claims; and the commission shall have power to take any steps necessary or suitable to correct and prosecute any such violation.

(2) *Limitation of fees.*—No employee shall be charged fees of any kind by the commission or its representatives in any proceeding under this act. Any employee claiming benefits in any proceeding or court action may be represented by counsel or other duly authorized agent; but no such counsel or agents shall together charge or receive for such services more than 10 percent of the maximum benefits at issue in such proceeding or court action.

(3) *No assignment or garnishment of benefits.*—Benefits which are due or may become due under this act shall not be assignable before payment, but this provision shall not affect the survival thereof; and when awarded, adjudged, or paid shall be exempt from all claims of creditors, and from levy, execution, and attachment or other remedy now or hereafter provided for recovery or collection of debt which exemption may not be waived.

SEC. 15. COLLECTION OF CONTRIBUTIONS

(1) *Interest on tardy payments.*—If any employer fails to make promptly, by the date it becomes due hereunder, any payment required to be made by him under this act, he shall be additionally liable (to the unemployment administration fund) for interest on such payment at the rate of 1 percent per month from the date such payment became due until paid, pursuant to general commission rules.

(2) *Bankruptcy.*—In the event of an employer's dissolution, bankruptcy, adjudicated insolvency, receivership, assignment for benefit of creditors, judi-

cially confirmed extension proposal or composition, or any analogous situation, contribution payments then and thereafter due under this act shall have the greatest priority (subsequent to taxes, but at least equal to wage claims) then permitted by law; but this subsection shall not impair the lien of any judgment entered upon any award.

(3) *Court action.*—Upon complaint of the commission, the attorney general shall institute and prosecute the necessary actions or proceedings for the recovery of any contributions or other payments due hereunder; or, at his request and under his direction, the prosecuting attorney (of any county in which the employer has a place of business) shall institute and prosecute the necessary actions or proceedings for the recovery of any contributions or other payments due hereunder.

SECTION 16. PENALTIES

(1) Whoever willfully makes a false statement or representation to obtain or increase any benefit or other payment under this act, either for himself or for any other person, shall upon conviction be punished by a fine of not less than \$20 nor more than \$50, or by imprisonment in the county jail not longer than 30 days, or by both such fine and imprisonment; and each such false statement or representation shall constitute a separate and distinct offense.

(2) Any employer (of any person in this State) or his agent who willfully makes a false statement or representation to avoid becoming or remaining subject hereto, or to avoid or reduce any contribution or other payment required of such employer under this act, or who willfully fails or refuses to make any such contribution or other payment or to furnish any reports duly required hereunder, or to appear or testify or produce records as lawfully required hereunder, or who makes or requires any deduction from wages to pay all or any portion of the contributions required from employers, or who tries to induce any employee to waive any right under this act, shall, upon conviction, be punished by a fine of not less than \$20 nor more than \$200, or by imprisonment in the county jail not longer than 60 days, or by both such fine and imprisonment; and each such false statement or representation, and each day of such failure or refusal, and each such deduction from wages, and each such attempt to induce shall constitute a separate and distinct offense. If the employer in question is a corporation, the president, the secretary, and the treasurer, or officers exercising corresponding functions, shall each be subject to the aforesaid penalties.

(3) Any violation of any provision of this act for which a penalty is neither prescribed above nor provided by any other applicable statute, shall be punished by a fine of not less than \$20 nor more than \$50, or by imprisonment in the county jail not longer than 30 days, or by both such fine and imprisonment.

(4) On complaint of the commission the fines specified or provided in this section may be collected by the State in an action for debt. All fines thus collected shall be paid to the unemployment administration fund.

SECTION 17. UNEMPLOYMENT ADMINISTRATION FUND

(1) *Special fund.*—There is hereby created the "Unemployment Compensation Administration Fund", to consist of all moneys received by the State or by the commission for the administration of this act. This special fund shall be handled by the State treasurer as other State moneys are handled; but it shall be expended solely for the purposes herein specified, and its balances shall not lapse at any time but shall remain continuously available to the commission for expenditure consistent herewith.

(2) *Federal aids.*—All Federal moneys allotted or apportioned to the State by the Federal Social Insurance Board (or other agency) for the administration of this act shall be paid into the unemployment administration fund.

(3) *Employment service account.*—A special "employment service account" shall be maintained as a part of said fund.

SECTION 18. APPROPRIATIONS

(1) All moneys in the unemployment administration fund at any time are hereby appropriated to the unemployment compensation commission, including its employment service division.

(2) There is hereby appropriated, to the employment service account of the unemployment administration fund, from any money in the State treasury not

otherwise appropriated, on July 1, 1935, and annually thereafter on the 1st day of July, the sum of \$———.¹⁵

SECTION 19. SAVING CLAUSE

The legislature reserves the right to amend or repeal all or any part of this act at any time; and there shall be no vested private right of any kind against such amendment or repeal.

NOTE.—This provision is required by the Federal bill as a condition for the allowance of credits against the Federal pay-roll tax.

SECTION 20. SEPARABILITY OF PROVISIONS

If any provision of this act, or the application thereof to any person or circumstance, is held invalid, the remainder of the act and the application of such provision to other persons or circumstances shall not be affected thereby.

SECTION 21. EFFECTIVE DATE

This act shall take effect upon passage.

NOTE.—This section should be modified where necessary to conform with the State's regular requirements for official publication, etc., prior to the taking effect of its State laws.

NOTE.—Any State which desires to do so may of course modify the foregoing bill to permit certain employers (or groups) to maintain separate "*guaranteed employment accounts*." The Federal economic security measure includes certain standards which would apply to any such account permitted under a State law. (The State law could, however, provide additional standards.)

An optional employment provision (for insertion in the foregoing bill) to permit a guaranteed employment account is now being drafted by the Committee on Economic Security for due consideration by any interested State, and will shortly be sent to you.

MEMORANDUM CONCERNING STATE OLD-AGE ASSISTANCE (PENSION) LEGISLATION TO CONFORM TO THE FEDERAL ECONOMIC SECURITY BILL

(Suggested State act on p. 5 and following)

PURPOSE OF THE FEDERAL ECONOMIC SECURITY BILL RELATING TO OLD-AGE ASSISTANCE

The Federal economic security bill provides for Federal grants-in-aid to the States for old-age assistance of not to exceed 50 percent of the assistance, under standards and conditions set forth in the bill. This is one of several provisions designed to provide security for the aged. Other parts of the program provide for contributory annuities to be built up by compulsory contributions of employers and employees, and voluntary annuities for self-employed persons.

Twenty-eight States have enacted old-age assistance laws, but many of these laws are optional upon the local units of government, and have been put into use in only a few counties. In many States the existing old-age assistance laws are inoperative because of lack of funds. Federal grants to the States will not only aid them in providing old-age assistance, but will stimulate the States and local governments to raise local funds for this purpose.

¹⁵ This sum should be about 3 cents per capita of the State's population. (Thus, a State of 1,000,000 inhabitants should make an appropriation of at least \$30,000.) This should insure the State's receiving its full share of the Federal money now available from the United States Employment Service under the Wagner-Peyser Act. Any State may secure more exact information on the Federal "matching" requirements from the United States Employment Service, Washington, D. C. Such an appropriation will be relatively small, as compared to the total cost of the State's employment service, in view of its enlarged functions under this act. (The bulk of the cost will be financed from Federal money, raised largely from employers subject to the Federal pay-roll tax and the State unemployment compensation law. Not only such employers will benefit by an effective State-wide employment service, but also the entire community.) Hence, it is essential that the State (from general tax funds) appropriate at least the suggested small fraction of the total cost of its employment service.

Federal grants are to be conditioned upon a few standards set forth in the bill. Many of the State laws contain excessive residence requirements—up to 25 years within the State. Obviously, the Federal Government could not make grants to State systems with such strict residence requirements, for its obligations are to all of the citizens of the United States, regardless of how long they have resided in the particular State. Many State laws have other very restrictive provisions, such as that the applicant shall have been a citizen of the United States for 15 years. Some States prohibit assistance to persons who own any property; other States fix a property limit as low as \$1,000, or an income as low as \$150 annually.

These and other restrictions in the State laws operate to deny assistance to old persons in real need, as witnessed by the large numbers on the relief rolls in States having old-age-assistance laws. The spirit of the pending Federal bill is to provide aid to State old-age-assistance plans upon the condition that they are made more liberal and that need, rather than arbitrary limits, be made the controlling factor in determining whether an applicant is eligible to receive assistance, and the amount of assistance to which he is entitled. The old person who is in need, but who has a small amount of property (often the home which is not income-producing), is not thereby denied assistance under the proposed Federal standards. The State may and should recover from his property the amount of the assistance. Likewise, the old person who has children able to support him, but who in fact do not do so, is not denied assistance under the Federal standards. The State may compel the children to support their aged parents or to pay for the public assistance.

These standards are not only more liberal and humane than provided by many of the existing State laws, but are also more easily administered. They follow closely the standards in several States with liberal provisions.

PROVISIONS WHICH MUST BE INCLUDED IN THE STATE LAW TO COMPLY WITH THE STANDARDS PRESCRIBED IN THE PENDING ECONOMIC-SECURITY BILL INTRODUCED IN BOTH HOUSES OF THE CONGRESS

1. The State plan for old-age assistance must be State-wide and, if administered by subdivisions of the State, must be mandatory on such subdivisions. It must also provide for substantial financial participation by the State.

2. A single State agency must be designated or established either to administer or to supervise the administration of the plan in the State. This should logically be the State welfare department or, if such does not exist, a specially appointed old-age-assistance commission. This department or commission will be required to make prescribed regular reports to the Federal authority to qualify for Federal subsidies.

3. Provision must be made that whenever an application for assistance is denied the applicant has the right of appeal to the State agency.

4. The State plan must not disqualify an aged person who satisfies all of the following conditions:

- (a) Is a citizen of the United States.
- (b) Has resided in the State for 5 years or more within the last 10 years preceding the date of the application for assistance.
- (c) Is not an inmate of a public or private institution.
- (d) Does not have sufficient income (together with that of his or her spouse) to provide a reasonable subsistence compatible with decency and health.
- (3) Is 65 years of age or older. Assistance may be limited to persons 70 years of age or over until January 1, 1940, but following that date assistance may not be denied to persons otherwise qualified who are 65 years of age or over.

NOTE.—These qualifications may not be increased by the States. For example, a State law which requires an applicant to have been a citizen of the United States for 10 years is contrary to the Federal bill, which specifies as one condition for receipt of Federal aid that the State law must not deny assistance to citizens of the United States. Similarly, State laws requiring residence within the State for a longer period than 5 years are also in conflict with the Federal bill. The requirement of county residence is also contrary to the Federal standards, unless the State makes special provision to take care of eligible applicants who cannot satisfy the county residence requirements.

The State laws, however, may be more liberal than these standards. Assistance may be granted to other aged persons besides those meeting

these qualifications, and the Federal Government will match on the same basis the assistance granted to persons who satisfy these qualifications, but it will not match assistance paid to anyone who is less than 65 years of age nor to anyone who is an inmate of a public or other charitable institution. There is nothing in the Federal bill, however, which bars inmates of such institutions from making application for assistance but they cannot remain inmates after the assistance is granted. The State law should permit inmates of institutions to make application for assistance.

States may, if they see fit, grant assistance to aged persons who have resided less than 5 years in the State. They may also provide assistance to old residents who are not citizens, for instance, to those who have resided in this country for a specified period of years.

In determining whether an aged person has sufficient income to provide a reasonable subsistence compatible with decency and health, the actual circumstances and means of the applicant are controlling. It is not the intention of the Federal bill that aged persons who are furnished a decent living by their children shall be granted assistance, but no aged person shall be denied assistance because he has a child or other relative able to support him if in fact he is not so supported. Instead of denying assistance in such cases, the Federal bill contemplates that the State may assume the responsibility for making children who are able to support their parents, in fact do so, but the parent in the meantime shall not be denied assistance.

Provisions in State laws which prohibit the granting of assistance to persons having property of a specified value, or to persons having an income of a specified amount, are probably contrary to the Federal act. Such limitations are difficult to administer, for they involve valuation of property. The existing laws in New York, Massachusetts, and Pennsylvania do not fix any arbitrary limits on property or income which disqualify applicants. The need of the applicant is made the basis for passing upon cases, but the possession of income or property and other means of support are taken into account in determining whether the applicant is entitled to assistance, and how much the assistance should be. This practice is in conformity to the proposed Federal standards.

In order to conform to the Federal standards, the existing arbitrary property or income limits in the State laws should be repealed and language similar to the New York law substituted, with suitable provisions for the recovery of pension payments from the estate of the recipient, through assignment or lien on the property. (See sections below.)

5. The assistance granted to an aged person meeting the requirements of the statute must be an amount which when added to the other income of the applicant and his spouse is adequate to provide a reasonable subsistence compatible with decency and health.

NOTE.—The amount of the assistance should be fixed with due regard to the conditions existing in each case. It is an erroneous impression that the Federal bill fixes \$30 per month as the amount of the assistance to be granted in all cases. The Federal grants are limited to \$15 per month, but the States, to receive Federal aid, may find it necessary in some cases to contribute a larger amount to provide "a reasonable subsistence compatible with decency and health." The assistance provided by the State and local governments is not limited by the Federal bill.

6. The Federal bill provides that the State law must require that at least so much of the sum paid as assistance as represents the share of the United States Government in such assistance, shall be a lien on the estate of the aged recipient and that the net amount realized by the enforcement of such lien shall be deemed to be a part of the State's allotment from the United States Government for the year in which such lien is enforced. It is provided, however, that no such lien shall be enforced against any real estate of the recipient while it is occupied by the recipient's surviving spouse, if the latter is not more than 15 years younger than the recipient, and does not marry again.

NOTE.—The State law should make provision that on the death of a person receiving assistance under the act or of the survivor of a married couple, both of whom were so assisted, the total amount paid as assistance (with or without interest) shall be allowed and deducted from the estate) by the court having jurisdiction to settle the estate.

SUGGESTED LANGUAGE OF A STATE OLD-AGE-ASSISTANCE LAW FOR STATES WHICH HAVE NOT ENACTED SUCH LAWS OR FOR THE MODIFICATION OF EXISTING STATE LAWS

(Taken largely from existing State laws which conform to the proposed Federal standards for Federal grants-in-aid)

NOTE.—The following sections have been taken practically verbatim from existing State old-age-assistance laws, and are believed to conform to the proposed Federal economic security bill as introduced. Changes in the following language may be necessary because of amendments to the Federal bill before enactment. If necessary a supplementary statement will be issued following enactment, if passed by Congress. A few modifications have been made in the existing language of the State laws cited where necessary for consistency or to conform to the proposed Federal standards. Most of the following sections are taken from the New York law, which most nearly conforms to the proposed Federal act. About half of the total assistance payments now granted in this country are made in New York. These sections, if considered by the States, should be modified to fit local conditions, particularly with regard to the local organization which is set up to administer the act. Many of the sections are not required by the proposed Federal standards but would be appropriate.

SECTION 1. *Persons eligible to receive old-age assistance.*—Old-age assistance may be given under this act to any person who—

- (1) Has attained the age of 65 years.

NOTE.—Federal standards require assistance to be granted to needy old persons of 65 years or over, but permit States to retain 70-year minimum until 1940. The State may provide assistance to persons under 65 years of age, but such assistance will not be matched by the Federal Government.

- (2) Has income which, when added to the contributions in money, substance, or service from legally responsible relatives or others, is inadequate to provide a reasonable subsistence compatible with decency and health.

NOTE.—This language should be incorporated in State acts to conform to the Federal standards. Provisions in State laws which prohibit the granting of assistance to persons having a stipulated income or property greater than a specified value are probably contrary to the Federal bill. Arbitrary limits of this kind are unwise. The cost of living varies widely in different parts of the State, and the actual need of the aged person and his circumstances should be controlling rather than an arbitrary fixed limitation. If an aged person possesses property or income of small value, it should be taken into account in the granting of assistance, and the State should recover the amount of assistance from the estate upon the death of the person, rather than to deny him assistance. (See appropriate sections below.)

- (3) Is a citizen of the United States.

NOTE.—The State may, if it wishes, grant assistance to noncitizens who have resided in the State for a specified period (Delaware), and such assistance will be matched by the Federal Government. State laws requiring an applicant to have been a citizen of the United States for a period of years are contrary to the Federal bill.

- (4) Has been a resident of the State of ----- for at least 5 years within the 10 years immediately preceding his application for old-age assistance.

NOTE.—The proposed Federal bill provides a standard of not more than 5 years' residence requirement within the previous 10 years in the State. The State may require less, but not more. State laws requiring more than 5 years' residence in the State will have to be amended to read "5 years" (or less).

- (5) Has resided in and been an inhabitant of the (county or district) in which application is made for at least 1 year immediately preceding the date of the application, or has a legal settlement in the (county or district) in which the application is made. Any person otherwise qualified who has resided in the State for 5 years or more within the 10 years immediately preceding the application, and who has no legal settlement, shall file his applica-

tion in the (county or district) in which he is residing, and his assistance, if granted, shall be paid entirely from State funds until he can qualify as having a legal settlement in the said (county or district). For the purpose of this act, every person who has resided 1 year or more in any (county or district) in this State shall thereby acquire a legal settlement in such (county or district), which he shall retain until he has acquired a legal settlement elsewhere, or until he has been absent voluntarily and continuously for 1 year therefrom.

NOTE.—The existing strict local residence requirement in old-age-assistance laws are in conflict with the proposed Federal standards. This section is designed to protect the locality, and at the same time to conform to the Federal standards.

(6) Is not at the time of receiving assistance an inmate of any public or private institution, except in the case of temporary medical or surgical care in a hospital.

(7) Has not made a voluntary assignment or transfer of property for the purpose of qualifying for such assistance, except as provided in sections 21 and 22 of this act.

(8) Is not, because of his physical or mental condition, in need of continued institutional care. (With the exception of subsections (2) and (5), this section is taken from New York Consolidated Laws, Cahill's, 1930, ch. 49½, art. XIV-A, sec. 123.)

SEC. 2. *Amount of the assistance.*—It shall be the duty of the (local old-age-assistance agency) to provide a reasonable subsistence compatible with decency and health for those eligible for old-age assistance under the provisions of this act. The amount of the old-age assistance to any such person shall, subject to rules, regulations, and standards of the State welfare department, be determined by the (local old-age-assistance agency) with due regard to the conditions existing in each case. (New York Laws, *ibid*, partly from sec. 124.)

SEC. 3. *Application.*—A person requesting old-age assistance under this act shall make his application therefor to the (local old-age-assistance agency) of the (county or district) in which the applicant resides or has a legal settlement. An inmate of a public or private home for the aged, or of any public home, or of any public or private institution of a correctional, custodial, or curative character may make an application while in such a home or institution, but the assistance, if granted, shall not be paid until after he ceases to be such an inmate. The application shall be made in writing or reduced to writing, upon standard forms, prescribed by the State welfare department. (New York Laws, *ibid*, sec. 124-a.)

SEC. 4. *State administration.*—The State welfare department shall supervise the administration of old-age assistance under this act by the (local old-age-assistance agencies). The State welfare department shall prescribe the form of and print and supply to the (local old-age assistance agencies) blanks of applications, reports, affidavits and such other forms as it may deem advisable. The State welfare department is hereby authorized to and shall make rules and regulations necessary for the carrying out of the provisions of this act to the end that old-age assistance may be administered uniformly throughout the State, having regard for the varying costs of living in different parts of the State and that the spirit and purpose of this act may be complied with. All rules and regulations made by the State welfare department under this act shall be binding upon the (local old-age-assistance agencies) and the (counties or districts). (New York Laws, *ibid*, sec. 124-1.)

SEC. 5. *Local administration.*—

NOTE.—This section will have to be prepared to fit the requirements of the individual State. It is recommended that old-age assistance be administered by a unified local welfare department, charged with all local welfare and relief activities. This is the existing practice in several States which have the most satisfactory welfare administration. The use of special local boards for granting old-age assistance has the disadvantage of creating another local agency charged with welfare functions, whereas the trend is toward unification and integration of all welfare functions. The use of separate agencies increases the administrative costs and prevents unified planning and responsibility. An investigation by a qualified paid investigator of each application before allowance, and periodically thereafter, is highly advisable, and will probably be necessary to secure Federal aid.

The local welfare unit should be used for administration of old-age assistance, but the use of units smaller than the county is inadvisable. Many States have under consideration new public welfare codes which

would revise their old poor laws and set up a unified welfare administration. Most of the proposed laws permit the use of welfare districts consisting of two or more counties, designed particularly for counties with small populations. This should be permitted in the old-age assistance act.

SEC. 6. Local appropriation.—The legislative body of the (county or district) shall annually appropriate and make available to the order of the (local old-age-assistance agency) such a sum as may be needed for old-age assistance, and include such sum in the taxes to be levied in the territory responsible for such old-age assistance. Should the sum so appropriated, however, be expended or exhausted, during the year and for the purpose for which it was appropriated, additional sums shall be appropriated by such legislative body as occasion demands to carry out the provisions of this act. (New York Laws, *ibid.*, part of sec. 124-c.)

NOTE.—It is recommended that the State (with Federal aid) pay the entire cost of administration. This will make it possible for the State to exercise more effective control over standards of personnel and local administration. The State may, if it wishes, however, require the local unit to bear a part of the administrative expenses.

SEC. 7. Reimbursement by the State.—The (local old-age-assistance agency) shall keep such records and accounts in relation to old-age assistance as the State welfare department shall prescribe. The State shall reimburse each (county and district) to the extent of _____ of the amount expended for assistance for each aged person which has been granted under the provisions of this act and in accordance with the rules of the State welfare department.

NOTE.—Since the Federal aid to the States for old-age assistance will probably be about one-half of the amount required, and one of the proposed Federal standards is "substantial participation" by the States, it is suggested that the State law might provide for the reimbursement of the local units by, say, three-fourths of the total amount. This would require the State to bear only about one-fourth of the total cost. Some States will wish to pay a larger share, or even the entire amount matching Federal aid. This is entirely appropriate. The method of payment contained in this section is not required in the Federal bill. Any appropriate method would conform to the Federal standards. If the State pays the entire amount, this section and the two following would not be applicable.

SEC. 8. Claims for reimbursement.—Claims for State reimbursement under this act shall be presented by the respective (local old-age-assistance agencies) to the State welfare department at such times and in such manner as the department may prescribe. For the purposes of the annual departmental estimates (for the executive budget), the probable amount needed for expenditure by the State under this act shall be regarded as financial needs of the State welfare department. (New York Laws, *ibid.*, sec. 124-e.)

SEC. 9. Approval of claims.—The approval of such claims shall be made by the State welfare department to the extent of _____ of the payments made in accordance with the provisions of this act and the rules of the State welfare department. The State welfare department shall certify to the (comptroller) the amounts so approved by it, specifying the amount to which each (county or district) is entitled. The amounts so certified shall be paid from the State treasury upon the audit and warrant of the (comptroller) to the fiscal officers of the (counties or districts) entitled thereto from moneys available therefor by appropriation. (New York Laws, *ibid.*, sec. 124-f.)

SEC. 10. Investigation of applicant.—Whenever a (local old-age-assistance agency) receives an application for an old-age-assistance grant, an investigation and record shall be promptly made of the circumstances of the applicant. The object of such investigation shall be to ascertain the facts supporting the application made under this act and such other information as may be required by the rules of the State welfare department. The (local old-age-assistance agency) and the State welfare department shall have the power to issue subpoenas for witnesses and compel their attendance and the production of papers and writings, and officers and employees designated by the (local old-age-assistance agency) or the State welfare department may administer oaths and examine witnesses under oath. (New York Laws, *ibid.*, partly from sec. 124-g.)

SEC. 11. Granting of assistance.—Upon the completion of such investigation the (local old-age-assistance agency) shall decide whether the applicant is

eligible for and should receive an old-age-assistance grant under this act, the amount of the assistance, and the date on which the assistance shall begin. It shall make an award which shall be binding upon the (county or district) and be complied with by such (county or district) until modified or vacated. It shall notify the applicant of his decision in writing. If an application is denied or the grant is deemed inadequate by the applicant, he may appeal to the State welfare department. The State welfare department shall upon receipt of such an appeal review the case. The State welfare department may also, upon its own motion, review any decision made by the (local old-age-assistance agency). The State welfare department may make such additional investigation as it may deem necessary, and shall make such decision as to the granting of assistance and the amount and nature of assistance to be granted the applicant as in its opinion is justified and in conformity with the provisions of this act. All decisions of the State welfare department shall be binding upon the (county or district) involved and shall be complied with by the (local old-age-assistance agency.) (New York Laws, *ibid.*, sec. 124-h.)

SEC. 12. *Recipient shall not receive other public assistance.*—No person receiving an old-age-assistance grant under this act shall at the same time receive any other relief from the State, or from any political subdivision thereof, except for medical and surgical assistance. (Michigan Public Acts of 1933, Act No. 237, sec. 25, and other State laws.)

SEC. 13. *Assistance may be paid to guardian.*—If the person receiving old-age assistance is, on the testimony of reputable witnesses, found incapable of taking care of himself or his money, the State welfare department may direct the payment of the installments of the old-age assistance to any responsible person for his benefit. (Michigan Public Act, *ibid.*, sec. 26, and other State laws.)

SEC. 14. *Funeral expenses of pensioned person.*—On the death of the recipient of old-age assistance, reasonable funeral expenses not exceeding \$100 may, subject to rules and regulations of the State welfare department, be paid by the (local old-age-assistance agency) if the estate of the deceased is insufficient to pay the same and the persons legally responsible for the support of the deceased are unable to pay the same. (Maine Laws, *ibid.*, sec. 14, and other State laws.)

NOTE.—It is not certain that Federal aid can be used for this purpose.

SEC. 15. *Subsequent increase of income.*—If, at any time during the continuance of old-age assistance the recipient thereof or the husband or wife of the recipient, becomes possessed of any property or income in excess of the amount enjoyed at the time of the granting of the assistance, it shall be the duty of the recipient immediately to notify the (local old-age-assistance agency) of the receipt and possession of such property or income, and the (local old-age-assistance agency) may, on inquiry, either cancel the assistance or vary the amount thereof in accordance with circumstances, and any excess assistance theretofore paid shall be returned to the State and the (county or district) in proportion to the amount of the assistance paid by each respectively, and be recoverable as a debt due the State and the (county or district). (California Acts, *ibid.*, sec. 10, and other State laws.)

SEC. 16. *Revocation of aid.*—If at any time the State welfare department has reason to believe, by reason of a complaint or otherwise, that an old-age-assistance allowance has been improperly granted, it shall cause an investigation to be made. If it appears as a result of any such investigation that the assistance was improperly granted, the State welfare department shall immediately notify the local old-age-assistance agency that it will not approve any payment made thereafter. (New York Laws, *ibid.*, part of sec. 124-i.)

SEC. 17. *Periodic review of assistance grants.*—All assistance grants under this act shall be reconsidered from time to time, or as frequently as may be required by the rules of the State welfare department. After such further investigation as the local old-age-assistance agency may deem necessary or the State welfare department may require, the amount and manner of giving the assistance may be changed or the assistance may be withdrawn if such authority finds that the recipient's circumstances have changed sufficiently to warrant such action. It shall be within the power of the local old-age-assistance agency at any time to cancel and revoke assistance for cause, and it may for cause suspend payments for assistance for such periods as it may deem proper, subject to review by the State welfare department, as provided in section 11. (New York Laws, *ibid.*, sec. 124-j.)

SEC. 18. *Change of residence of person receiving old-age assistance.*—Any person qualified for and receiving assistance hereunder in any county or district in this State, who removes to another county or district in the State, shall be entitled to receive assistance under the provisions of this act after a 1-year residence in the county or district to which such person has removed, provided an agreement in writing has been entered into by and between the two counties or districts concerned approving such transfer or removal, and thereupon the county or district of first residence of such person shall continue his assistance for 1 year and until the aforesaid residence has been established by him in the second county or district. (Statutes of California, 1931, ch. 608, sec. 18½.)

SEC. 19. *Reports.*—Each local old-age-assistance agency shall make such reports and in such detail as the State welfare department may from time to time require, and shall transmit to the State welfare department upon its request copies of the application and any or all other records pertaining to any case. The State welfare department is hereby authorized and directed to make such reports and in such detail as may be required of it to the Federal Government. Within 90 days after the close of each calendar year, the State welfare department shall make a report to the Governor for the preceding year, which shall include a full account of the administration of this act, the expenditure of all funds under this act, adequate and complete statistics concerning old-age assistance within the State, and such other information as the State welfare department may deem advisable.

SEC. 20. *Assignability of assistance.*—All assistance given under this act shall be inalienable by any assignment or transfer and shall be exempt from levy or execution under the laws of this State. (New York Laws, *ibid.*, sec. 124-m, and other State laws.)

SEC. 21. *Claims against the estate of assisted person.*—The total amount paid in assistance to the recipient of old-age assistance under this act shall be a lien upon the estate of such recipient. On the death of a person receiving assistance under this act, or of the survivor of a married couple, both of whom were assisted, the total amount paid as assistance shall be allowed and deducted from the estate by the court having jurisdiction to settle the estate, and paid to the State and the county (or district) in proportion to the amount of the assistance paid by each. The local old-age-assistance agency shall, under rules of the State welfare department, require as a condition to granting assistance in any case, that the applicant submit a properly acknowledged agreement to reimburse the State and the county (or district) for all assistance granted. In such agreement said applicant shall assign as collateral security for said assistance, such part of his personal property as the local old-age-assistance agency shall demand. At any time the local old-age-assistance agency may execute and file with the appropriate local office in charge of public records a certificate, in form to be prescribed by the State welfare department, showing the amount of assistance paid to said person, and when so filed each said certificate shall be a legal claim against both the said person and his estate and shall have the same force and effect as a judgment at law. The appropriate local officer in charge of public records shall keep a suitable record of such certificates without charging any fee therefor, and enter therein an acknowledgement of satisfaction upon receipt of notice thereof from the local old-age-assistance agency. All funds recovered under these provisions shall be allocated to the county or district and to the State in the same proportion as the assistance paid by each. No levy or lien shall be enforced against any real estate of the recipient while it is occupied by the recipient's surviving spouse if the latter is not more than 15 years younger than the recipient and does not marry again.

SEC. 22. *Assignment of property by recipient.*—If the (local old-age-assistance agency) shall deem it necessary, it may with the consent of the State welfare department, require as a condition to the grant or continuance of assistance in any case, that all or any part of the property of a person applying for aid be transferred to said (local old-age-assistance agency). Such property shall be managed under rules and regulations of the State welfare department by said (local old-age-assistance agency), which shall pay the net income thereof to such person; said (local old-age-assistance agency) shall have power to sell, lease, or transfer such property or defend or prosecute all suits concerning it and pay all just claims against it and to do all things necessary for the pro-

tection, preservation, and management thereof. If the assistance to such person is discontinued during his lifetime, the property thus transferred to the (local old-age-assistance agency) shall be returned to him subject to a lien on such property for any sums paid to him as assistance under this act, or the remainder of such property after deducting therefrom the sums paid to him as assistance under this act shall be returned to him. In the event of his death, the remainder of such property, after deducting therefrom the sums paid him as assistance under this act, shall be considered as the property of the beneficiary for proper administrative proceedings. The (local old-age-assistance agency) shall execute and deliver all necessary instruments to give effect to this section. The (proper local public attorney) at the request of the (local old-age-assistance agency) shall take the necessary proceedings and represent the (local old-age-assistance agency) in respect to any matters arising under sections 21, 22, and 23 of this act.

NOTE.—Since it is recommended that the State laws should not contain property limits, these provisions for recovery in cases where there is property are very important. Substantial amounts are recovered in States following this procedure. The provisions for recovery will cause many applicants with substantial property to withdraw their applications, and since the assistance is recoverable, will avoid criticism of the assistance to persons with small amounts of property. The Federal bill requires that so much of the assistance as represents the Federal aid shall be made a lien upon the estate of the recipient. The State may, if it wishes to do so, charge interest upon the amounts advanced as assistance, but this is not recommended.

SEC. 23. *Recovery of assistance payments.*—If at any time during the continuance of old-age-assistance allowance the (local old-age-assistance agency) has reason to believe that a spouse, son, or daughter liable for the support of the recipient of assistance is reasonably able to assist him, it shall, after notifying such person of the amount of the assistance granted, be empowered to bring suit against such spouse, son, or daughter to recover the amount of the assistance provided under this act subsequent to such notice, or such part thereof as such spouse, son, or daughter was reasonably able to have paid.

NOTE.—Interest may also be charged if desired.

SEC. 24. *Expenses of act.*—All necessary expenses incurred by a (county or district) in carrying out the provisions of this act shall be paid by such (county or district) in the same manner as other expenses of such (county or district) are paid, subject to partial reimbursement by the State from appropriations made by the legislature for this purpose. (New York Laws, *ibid.*, sec. 124-n.)

SEC. 25. *Fraudulent acts.*—Any person who by means of a willfully false statement or representation, or by impersonation, or other fraudulent device, obtains, or attempts to obtain, or aids or abets any person to obtain—

- (1) Assistance to which he is not entitled;
- (2) Greater assistance than that to which he is justly entitled;
- (3) Payment of any forfeited installment grant;
- (4) Or aids or abets in buying or in any way disposing of the property of the recipient of assistance without the consent of the (local old-age-assistance agency) shall be guilty of a misdemeanor. (Minnesota Acts of 1929, sec. 15, and other State laws.)

SEC. 26. *Limitations of act.*—All assistance granted under this act shall be deemed to be granted and to be held subject to the provisions of any amending or repealing act that may hereafter be passed, and no recipient shall have any claim for compensation, or otherwise, by reason of his assistance being affected in any way by such amending or repealing act. (Maine Laws, *ibid.*, sec. 22, and other State laws.)

SEC. 27. *Saving clause.*—A person 65 years of age or more not receiving old-age assistance under this act is not by reason of his age debarred from receiving other public relief and care. (New York Laws, *ibid.*, sec. 124-p.)

SEC. 28. *Effective date.*—

The CHAIRMAN. The first witness this morning will be Charles H. Houston, of Washington, D. C., representing the National Association for the Advancement of Colored People.

STATEMENT OF CHARLES H. HOUSTON, REPRESENTING THE NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

Mr. Houston. Mr. Chairman, the National Association for the Advancement of Colored People regrets that it cannot support the Wagner economic security bill (S. 1130). It approached the bill with every inclination, if for no other reason than the fact that Senator Wagner introduced it, to support it, but the more it studied the bill the more holes appeared, until from a Negro's point of view it looks like a sieve with the holes just big enough for the majority of Negroes to fall through.

As to title I, the noncontributory old-age assistance, the very limits of the appropriations (\$50,000,000 the first year and \$125,000,000 thereafter) show that it is not intended to cover all old people 65 years of age or over. The President's own Committee on Economic Security reported that there are now approximately 7,500,000 people 65 years of age and over, and that a conservative estimate is that half of them are dependent. Figuring out an old-age-assistance grant averaging only \$10 per month to these 3,750,000 dependents, and we have the figure of \$37,500,000 per month, or \$450,000,000 per year. Since the Federal Government splits the expense 50-50 with the States, the cost to the Federal Government figures out as \$225,000,000 per year. But the maximum appropriation, including cost of administration, is only \$125,000,000, so the bill on its face flatly leaves four-ninths of the old people unprovided for, or 1,277,776 dependent persons 65 years of age or over without the prospects of old-age assistance. The question which most directly concern us is how many of these 1,277,776 unassisted persons are Negroes.

In the first place, the old-age-assistance program does not become operative in any State until the State has first accepted the act and established a State old-age authority and a State old-age plan satisfactory to the Federal administrator. When we look at the States which now have old-age pension laws according to the supplemental report of the President's committee, we note that there is not a single Southern State with such a program. And as practical statesmen you know the difficulties there will be in getting any substantial old-age-assistance plan through the legislature of any Southern State if Negroes are to benefit from it in any large measure. If the Southern States do pass old-age-assistance laws under such circumstances, it will be more than they have done for Negro education or Negro public health or any of the other public services which benefit the Negro masses.

Therefore the national association favors a strictly Federal old-age-assistance program either with direct benefits or with Federal grants in aid to the States, and such guaranties against discrimination which will insure that every American citizen shall receive his fair and equal share of the benefits according to his individual need.

Such a program is entirely feasible and eliminates certain bad features now present in the bill. As it now stands, the bill makes the old-age-assistance program the football of national politics. The power in a Federal administrator to approve or reject State plans is a tremendous weapon for political favor or political punishment. Further, the citizens of the States which have not accepted the old-

age-assistance plans are taxed for the benefit of the States which have accepted.

From the point of view of the Negro it would be much easier to get fair enforcement of a Federal law than to get a really effective old-age assistance law passed by southern legislatures. There are lots of decent, fair-minded people in the South; but in many States it would be political suicide for them to advocate a State old-age assistance law giving Negroes substantial benefits in large numbers.

The CHAIRMAN. How much would you say the amount should be if the Federal Government itself contributed and none of the States had to contribute?

Mr. HOUSTON. There would be two things that I would say. In the first place, we advocate that the old-age system and the old-age annuity be merged. I will explain why later. Under that merged plan we would say that if you had Federal grants-in-aid to the States, so that the States administered it, we would then say that the workers should not get any less than what he has actually paid in—that that should be the minimum. On the other hand, if you have benefits paid directly by the Federal Government to the individual, we would then say cut down the Federal minimum to such a point that it would not disturb conditions in any State, with the idea that the States could add increments that they wanted according to their resources and according to the social needs in the particular States.

The CHAIRMAN. How much would you say that that amount would be that the Federal Government was going to give?

Mr. HOUSTON. Senator, to be perfectly frank with you, I am not an actuary, and I would not set up an arbitrary standard in terms of dollars and cents under those circumstances; but I say this, that it is perfectly practical to establish a minimum, and that there are no more difficulties in establishing a minimum for old-age assistance than there were difficulties in establishing a minimum wage under the N. R. A. The N. R. A. worked out differentials for different sections of the country, and I think, again, even if you did have a system of Federal differentials, that that might be satisfactory. We recognize, just as anybody else does, that the standards of living, perhaps, in the agricultural States, may not cost altogether the same as in the more industrialized States, so that you might have a differential in your minimum level just the same as you had differentials in your N. R. A. codes, but I would not attempt to give you the figures in dollars and cents.

The CHAIRMAN. Would you think that \$15 would be too much or too little?

Mr. HOUSTON. As a minimum?

The CHAIRMAN. Well, to start in on. Suppose the Federal Government were not going to ask for any contribution by the States, would you think that \$15 would be fair?

Mr. HOUSTON. My impression is that \$15 would be fair; but again I am giving it only as a general impression.

The CHAIRMAN. Because we have to take into consideration the amount of money it will cost, because we have to raise the revenue.

Mr. HOUSTON. I understand that; and I will give you our suggestion as to raising the revenues in just a second.

I was saying that at the present time so far as the attempt to get a State old-age assistance program through the Southern legisla-

tures, and I called your attention to the fact that we know as well as anybody else that there are plenty of decent people down South, but we also know from experience, in the Scotsboro case and Judge Wharton, for example, that it is the same as political suicide to take an advanced stand on racial issues in many cases, and that it would be political suicide for some of these people to advocate a State old-age-assistance plan in which Negroes would benefit in any large numbers, and therefore it is going to be for us to obtain a better enforcement under a Federal law than it would be to get the Southern law with the same protection so far as the Negro workers are concerned.

Next, we oppose the residence requirements of the bill, requiring a residence of 5 years out of the last 10 within the States. The President's own Committee on Economic Security has stated that residence requirements presuppose a degree of security and permanence of employment which has been conspicuously lacking in our skilled workers, whose labor is frequently of a highly migratory order. (Mimeographed release no. 3834, Old Age Pensions.) It is, of course, in the ranks of these unskilled workers that the need for old-age assistance is greatest, and it is the cruelest kind of an illusion to dangle in front of them an old-age-assistance provision, and then say they have to starve in one State 5 years out of 10 before they get it.

And lest the committees believe I am overdrawing the picture, let me refer to the report by our A. A. A. investigation of a survey of cotton regions west of Memphis, filed with the A. A. A. just 2 days ago. The investigator reported evicted tenant-farmer families straggling along highways, wandering hopelessly in search of shelter and employment; rough-boarded shacks in muck-mired fields, with gaping walls open to the winter winds; evicted Negroes standing in the road not knowing where to turn for succor. To say that these people must remain in a State for 5 years in order to qualify for old-age assistance is the height of injustice, and a virtual return to slavery.

Under a wholly Federal old-age assistance plan with direct benefits or with grants-in-aid to the State there would not be any necessity of a State residence requirement. If any residence requirement should be invoked, it should only be a national residential requirement.

If you have to have any residence requirement whatsoever, it would be sufficient to establish a national residence requirement.

As to title IV, the old-age annuity plan, this plan differs from the old-age assistance in being a substitute for earnings as distinguished from old-age assistance which is a supplement to earnings.

Earnings, as distinguished from old-age assistance which is a supplement to earnings. And I call your attention to this that in your old-age assistance plan, section 4-e (3), the statement is that it shall be paid when the person "has an income which when joined with the income of such person's spouse is inadequate to provide a reasonable subsistence compatible with decency and health"—in other words, the term "assistance" does not mean substitution for a work, but it is a supplement to the wages that the person is otherwise earning. On the other hand, your old-age annuity plan is a substitute for work, because the provisions of section 405-a (4) says

that the person can only become eligible provided he is not gainfully employed by another.

The point is that this is financed largely by the workers and industry itself. Every employee is subject to the tax without any exemptions whatsoever, just so long as he is under 60 years of age on January 1, 1937, but he can only qualify for the annuity if he has had the tax paid for him at least 200 different weeks in not less than a 5-year period before he attains the age of 65 years. Whom does this provision eliminate? It eliminates all casual workers because in substance it provides that a worker must be employed an average of 40 weeks out of the year for 5 years. It eliminates all domestic and agricultural workers because it is almost impossible to standardize their wages sufficient for the tax to be collectible as they work indifferently by the hour, by the day, or by the week. And I call your attention to the fact that no person is eligible for old-age annuity unless a tax has been paid on his behalf.

Further, it eliminates the share cropper and the tenant farmer, because from the nature of their relationship to the landlord they do not draw wages. It eliminates the older portion of the present unemployed.

When you realize that out of the 5,500,000 Negro workers in this country, approximately 2,000,000 are in agriculture and another 1,500,000 in domestic service—3,500,000 Negroes dropped through the act right away when it comes to the question of old-age annuity; in other words, every 3 Negro workers out of 5, and then when you realize that of all of the elements in our population, the depression has thrown more Negroes out of work proportionately than any other element of the population, you being to appreciate my statement at the outset of my testimony that this bill looks like a sieve with holes just large enough for the majority of Negroes to fall through.

Our position is that the old-age assistance and the old-age annuity plans should be merged, and that there should be a Federal old-age assistance plan including all workers. In support of this, let me demonstrate why the old-age annuity system would not work for the casual, the domestic, and the agricultural workers. No argument is necessary to demonstrate that the overhead of administering and really enforcing a pay-roll tax on casual, domestic, and agricultural workers would practically consume the tax itself. But from the standpoint of annuity benefits what is the situation?

Since the "average monthly wage" is at the basis of computing the annuity, and the "average monthly wage" includes part-time as well as full-time wages it is safe to say that the average monthly wage would be less than \$30 per month. Those workers ordinarily would qualify only for the smallest annuity, 15 percent, which would amount to \$4.50 per month, or \$54 per year. It is perfectly obvious that this can be no substitute for a working wage.

It may be argued that these casual, domestic, and agricultural workers are eligible for old-age assistance under the present bill; but the difference between this bill and our proposal is fundamental. Under the Wagner bill the old-age annuity is a direct Federal right with the worker receiving his old-age annuity direct from the Federal Social Insurance Board; but the old-age-assistance benefits are operative only after the States have acted. Under our proposal we

would give the worker a direct Federal right under the old-age-assistance plan, just as he now has it under the old-age-annuity plan, with benefits paid directly by the Federal Government or with Federal grants-in-aid.

Now, as to the casual worker—under this bill, where you have no exemptions whatsoever for any employees, the casual worker who loses out with 199 weeks in a 5-year period has contributed his share of the tax for the benefit of the annuity of those who have 200 weeks out of a 5-year period; in other words, you are penalizing your casual worker in order to pay the annuity for the steady worker. That cannot be eliminated for this reason—that your casual worker of today may be your steady worker of tomorrow; and, therefore, you have got to include him in the tax; but we suggest that under our provision there is no question of making one man pay for another man's benefits.

You asked me about the question of standards, and I repeat that on the question of standards, we say that if you have a contributory provision under the old-age-assistance plan, and it seems to me this, at the present time you are providing an old-age system from funds not otherwise appropriated, and those funds are available whether you adopt a merged plan or whether you keep the present separate plans. Under the old-age annuity you are making the fund pay for itself in substance. Our proposal, so far as finance is concerned, is that in merging the plans, we have no objections to your pay-roll tax provided the lower brackets of the pay roll or the lower brackets of wages are excluded. The reason for that is this: That the difficulties of a real administration and real enforcement to keep these taxes from slipping through the fingers of the Government are such and so expensive that it really does not pay for any other reason as a practical matter, to attempt to collect them.

In the second place, so far as the lower wage groups are concerned, they are below really a distinct subsistence level at the present time, and therefore any tax upon their wages simply reduces the amount that the Federal Government or some other government must put in by way of aid relief or other provisions. We maintain that already the principle of the exemption of the low-wage groups is recognized in several instances. In the first place, it is recognized in the matter of judicial exemptions from execution. In the second place, it is recognized in income tax; and in the third place, in principle it is recognized in the inheritance tax, and we respectfully submit that either you may step up this very minor portion—and it figures at about one-half of 1 percent—and the gross tax available from that source would not cover the expense of collection or administration.

Another thing: If we say that these low-wage workers are not taxed directly as consumers, they have been paying indirect taxes ever since they have been alive and consuming things in the community.

As to title VI—unemployment insurance: Here there is a compulsory excise employment tax on employers of four or more, but there is no Federal machinery for the payment of the insurance benefits. The unemployment insurance benefits are to be administered and paid out through State agencies, but there is no provision in the law—and could not be—requiring the States to establish State agencies. In short, industry in State A, which has no unemployment insurance

machinery, has to help carry the unemployment burden in State B, which has a certified State agency.

As to the persons entitled to unemployment insurance, the definition is left up to the respective States, with a gesture to organized labor on conditions of employment in section 602 (e). All through this bill one notices that organized labor is given a measure of protection but unorganized labor is not. But lest you may keep the impression that the share croppers and tenant farmers are not organizing, I recur to the A. A. A. report cited above and call your attention to the fact that the investigator reports the two chief causes of the tenant evictions are:

(1) Reduction in labor requirements produced by reduction in acreage; and

(2) Ever-increasing unionization of share croppers to bring pressure on planters for retention of the customary number of tenants and for payment to the tenants of their full share of A. A. A. benefit money.

If we follow the history of the workmen's compensation acts, we know that two great classes of workers who will be excluded from the benefit of unemployment insurance; they are agricultural workers and domestic workers. Again, 3 out of every 5 Negro workers drop through the holes of the sieve.

We do not have the requisite knowledge to propose an unemployment scheme which will be adequate and fair to all sides—the public, industry, and the workers. But we know that the present scheme is unfair to unorganized labor, and we say that whatever scheme is finally adopted, it must include unorganized labor within its benefits, wherever that unorganized labor is without employment through conditions outside of its control and through no fault of its own.

As to title II, aid to fatherless, dependent children; and title VII, maternal and child health: We make a special plea that guaranties of no discrimination be written into the bill. The matter of Negro health is a concern not only of the Negro but to every white person he comes in contact with. You know from conditions in the South, where Negroes are used in the home and where they are in constant contact with the white population, that Negro health is a matter of concern to the white population itself, and we urge that it be written into the bill that, in those States which provide for the separation of the races in public places and under public institutions, fair and adequate provisions be made for them in institutions and personnel administration.

We have a precedent for this in the Act of August 30, 1890, chapter 841, which amended the original July 2, 1862, act providing Federal grants to State agricultural colleges, and provides in part:

That no money shall be paid out under this act to any State or Territory for the support and maintenance of a college where a distinction of race or color is made in the admission of students, but the establishment and maintenance of such colleges separately for white and colored students shall be held to be a compliance with the provisions of this act if the funds received in such State or Territory be equitably divided as hereinafter set forth. * * *

We have had the most disgusting experiences in the matter of public health. If you want to know how much handicap the Negro citizen suffers, the only thing you have got to do is to try to get a

job, travel, or else get sick, and that applies not only to the ordinary citizen but it applies also to United States veterans, of whom I am one, and I want to say that even as to your United States veterans, when they have the hospitals here in the city of Washington out at Mount Alto Hospital, although all the Negroes are lumped in one ward, regardless of diseases, and they are not separated according to their diseases.

In the matter of public health, we have received some of the greatest discriminations that has ever been perpetrated in this country. In the city of Columbia, S. C., a Negro ward was only put into the county hospital in the year 1933. Down at Fiske University, the dean of women died as the result of an automobile accident because she was not admitted to a hospital—they would not take Negro citizens in.

Under those circumstances, if this Federal Government which calls upon Negroes to defend it in time of war is going to contribute money for public health, and we hope it does contribute money for public health, because our flat position is we do not want to deprive the white citizens of anything but we simply want to have all citizens share in the benefits under the law, and I say if the Federal Government is going to make provisions for public health for the care of the fatherless and dependent children, for maternal care, then I say to you that so far as institutions are concerned, so far as the administration of personnel is concerned, then we ask that the guaranties of no discrimination be written into the act.

And let me make our position on this point unmistakably clear. The National Association is not endorsing or condoning segregation; but where there is segregation it is making its fight for real equality under and before the law.

Finally, as to the whole bill and its administration we urge that guaranties be written in that the administrative personnel be selected according to individual merit without discrimination as to race, the same as guaranties have been written in that the administrative personnel is to be selected without regard to political affiliation. We Negroes are United States citizens who have never failed to shoulder our full share of the national burden; if we have not paid you more money in taxes, it is because you have denied us equal opportunity to work. That is the opportunity which we seek and need now the same as any other citizen regardless of color or creed.

The CHAIRMAN. Thank you very much. Miss Dorothy Kahn, Philadelphia. You represent the American Association of Social Workers. Miss Kahn?

Miss KAHN. Yes; and I was chairman of the advisory committee on public employment and public assistance of the President's Committee on Economic Security.

**STATEMENT OF MISS DOROTHY KAHN, PHILADELPHIA, PA.,
REPRESENTING THE AMERICAN ASSOCIATION OF SOCIAL
WORKERS**

Mr. Chairman, in coming before this committee, the American Association of Social Workers desires to indicate its support of the general principles involved in this program. It believes that the bill in its intent affords a framework for economic security

for people in whom we are interested, the like of which this country has never seen before.

We, of course, as social workers of the people who in the last analysis deal with the end results of insecurity, and so we think that we have a few things to contribute in connection with the details of this bill, that we would like to lay before you.

Our comments are going to be confined very largely to the material in titles I and II of the bill. We agree also with the President's announced principle that the country has to get out of this relief business, but we believe that the only way to get out of this relief business is of course first to increase opportunities for genuine employment. Where that is impossible, a work program sponsored by the Government, such insurance provisions as will protect workers in industry against the hazards of unemployment, and finally, and this refers particularly to the two titles of the bill about which I would like to speak, through such provisions as these titles afford that lay the groundwork for what is a genuinely American program of public assistance.

Our belief is that there are certain questions that we must ask ourselves with reference to the whole program and particularly with reference to these two titles. In the first place, with the program as contemplated, if it assumes that all of the supposedly employable workers are going to be employed in the contemplated work program, and our first question is, can this work program absorb these workers? If not, what will be left over, and is that left-over group adequately cared for in the other provisions of the security measure?

The second question is can the States absorb that left-over group other than as provided for in titles I and II under the program that has been outlined?

The second question we would like to discuss very briefly is the organization for caring for what we call the "revidual load", and in that connection it is our belief that we require some administrator's machinery that is not clearly indicated in the bill to care for these groups.

On the first question, as to whether or not the work program can be expected to absorb the entire number of supposedly eligible workers, that is 80 percent who are not under the program going to be turned back to the States and are not cared for by the old-age provisions or the dependent-children provisions, we would like to call attention first of all to the fact that, according to the figures of the Federal Emergency Relief Administration, 44 percent of all heads of families included in this employable group are between the ages of 45 and 65, that is, in the group, of course, who are provided for under the old-age provision, but nevertheless in an age group which our industrial organization is increasingly finding itself unable to absorb, and I think we have no reason to assume that our work program will be any more effective in absorbing these old workers than has private industry been.

These are the chief breadwinners in 44 percent of all of the families of supposedly employable persons.

There is another large group of these employable persons who fall between 16 and 21, young persons who have had no working experience whatsoever, largely because there has been no work opportunities during this depression, and we mention those as another

group that it will be exceedingly difficult for the work program to absorb. In our work program also, there has been indicated a plan to limit work opportunities to only 1 member of a family. The Federal figures show that the average number of wage earners per family is 1.4, but that in 57 percent of all of the families on relief at the present time, there is only 1 wage earner. In other families there is more than 1 wage earner, the rest of this group of course, under the contemplated program would automatically be eliminated.

There is a further limitation on the capacity of the work program to absorb these employable workers inherent in the fact that according to the F. E. R. A. figures, 18 percent of all of the relief population have jobs in private industry, jobs that are either part-time jobs or low-wage jobs where the income is so small that the family requires additional assistance, and they are therefore on relief.

I would like to call attention to the fact that, while this 18 percent who are already in private industry is nevertheless on relief is a figure for the country as a whole, our experience in an urban community—and I am a relief administrator in Philadelphia—our experience in an urban community and an industrial community is that nearly 50 percent of all of the families on relief have some income or some employment which is still so small that it does not provide them with an adequate means of livelihood. So that there is another group that is disadvantaged in relation to our work program. We would not wish to take that group out of normal industry even though their earnings are now small or their jobs are only part-time jobs.

Perhaps the most fundamental difficulty, however, in this question of absorbing the employable workers in the contemplated work program is the occupational distribution of those workers. What do they represent? Again I refer to our own Government figures in that connection and call attention to the fact that a very considerable number of the workers are lacking in adaptability to the projects which we are contemplating pursuing. For instance, 30 percent of this entire group are women, that is, there are some 2,600,000 men and 1,235,000 females.

As we look at these projects or think of the projects that have been pursued even in the aiding by C. W. A., we know that we had great difficulties in absorbing a large number of women in the program. If you break down this figure of occupations, you will find that, of the clerical workers on relief, 41 percent are of the professional group and 20 percent are women. Of the skilled group, only 5 percent are women, but I will call particular attention to this—that of the unskilled group, 34 percent are women.

Moreover, if you consider the classifications by another type of break-down, and I am quoting now from an occupational-distribution table that we made of the relief population in Philadelphia, we found that 18 percent of a sample group were in domestic and personal service. If that group of persons who constitutes a very substantial part of the employable workers had been men, I think we might readily consider that they would adapt themselves to work on roads, harbors, and so on, even though their previous occupations had been domestic or personal service or sales occupations, if we could find no other work for them. But, as a matter of fact, 56

percent of that group of domestics are women and, as I quote these figures, I would like to call attention to the fact that we are excluding from them all the persons who are supposedly in such situations that would preclude their working, that is, these are employable workers that we contemplate absorbing in a work program.

There is a further fact that gives us a pause, gives me pause, particularly in our situation in Philadelphia, that is, that even now with a very limited work program, without a single housing project under way, that we have already practically exhausted what we call the employment inventory, that is that supply of available workers in the group of painters and carpenters on relief, which shows that the occupational distribution of the people that we are expecting to absorb in our work program is much less varied.

We have assumed that we have in that group a number of persons, with the greatest ingenuity that we can command, will not be absorbed in any projects that we can conceive, even though they are physically and mentally able to work and very eager for employment.

On the physical side, I would like to quote from some figures that we have recently secured from the Illinois Emergency Relief Commission who undertook to give health examinations to a group of people that had been classified as employable and referred for work. These were people that did not have sufficiently obvious defects to bar them from participation in the work program and in that group it was found that only 50 percent of the whole group were sufficiently healthy, sufficiently strong, to pursue any of the labor projects. Eighteen percent were incapacitated entirely, and another group, a smaller number, constituting 16 percent were suffering from defective vision, epilepsy, high blood pressure, and other serious handicaps that made it necessary to assign them to what we call light clerical jobs.

It seems to us in view of these facts that it is most unlikely that we will be able by the greatest stretch of our imaginations and ingenuities to absorb in the contemplated work program anything like 100 percent of the 80 percent of the supposedly employable persons.

Senator COSTIGAN. You have been very helpful to the committees of the Senate in other hearings having to do with human needs. May I ask you whether your conclusion just stated applies to the country as a whole or merely to your Pennsylvania data?

Miss KAHN. I think, Senator Costigan, it applies to the country as a whole, because we are basing these conclusions upon an examination of the Federal figures of the experience in various parts of the country. It is of course more true of the urban areas, that we are more, even more, concerned, because of that fact, because our largest work projects are very likely to be pursued in our urban areas, and if we confine that to the relief population, the largest part of the relief population is in the urban communities.

Senator COSTIGAN. Have you any suggestions as to the percentage of the unemployed employables who are not likely to be given employment by the Federal Government under the public-works program?

Miss KAHN. Percentages are always a little dangerous, Senator, and our estimates of course are estimated on experience and observa-

tion and mathematics. I think we hold no brief for their accuracy, but we believe that if one-half of the supposedly employable workers or at the most 60 percent of the employable workers are absorbed in a works program, we will be doing remarkably well.

Senator COSTIGAN. Can you state that conclusion in figures, approximately?

Miss KAHN. I am afraid I cannot.

Senator COSTIGAN. How many employed employables do you have reason to suppose there are in the United States at this time?

Miss KAHN. I think the only figures we have are those which have been provided by the F. E. R. A., and I think their estimate for the work program is something like 3,500,000, is it not?

Senator COSTIGAN. Is it your suggestion that only approximately half or slightly more than half of that number can probably be absorbed under the Public Works program now being considered?

Miss KAHN. Of course, that is a conservative estimate; but I would like to call attention to one more fact, Senator, and that is—people will deny this on the ground that we employed considerably more than that during C. W. A., but the C. W. A. was a short-time program. This other program is contemplated as a long-time program, not a lot of short projects that would use a considerable number of persons over a period of a few weeks and then fold up; and if we are going to undertake to guarantee long-time employment to a group of people on any projects such as those that have been designed, we feel that it is most unlikely that a larger number than that will be employed even with all the ingenuity that we have.

Senator COSTIGAN. With respect to another part of the announced program, have you reached a conclusion as to the ability of the several States to take care of the unemployables who may be turned back?

Miss KAHN. That was the next point I was getting to, Senator Costigan.

Senator BYRD. Before you leave that; I understood there were 10 million unemployed at this time. Miss Perkins testified to that.

Miss KAHN. I was only confining my figures to the employables on relief.

Senator BYRD. In other words, so far as millions that are now on relief, three and a half million of them are employables.

Miss KAHN. These are the F. E. R. A. estimates.

Senator BYRD. You think half of those can be provided for in this program?

Miss KAHN. In a long-time work program; yes, sir. That, by the way, is my personal estimate. I do not want to charge it to my association.

Senator BYRD. I think it is a very conservative one.

Senator COSTIGAN. You are especially qualified to make it.

Miss KAHN. Of course, we have had a little experience with this business of trying to find people who are able to do the particular jobs that we want them to do, and we are thinking again of real jobs that really represent constructive work.

With reference to this point of the State's capacity to absorb the unemployables or the balance of this load that does not fall into the works program or is not absorbed by the works program, our belief, of course, is that this relief business will not liquidate itself, that it

will only be liquidated as the other parts of the security program absorb the people who are now on relief, through the security program of private employment. I think perhaps we are a little likely to forget that private employment exists, but only as private employment and the various parts of the security program absorb these persons will they come off of relief, and if you consider the capacity of our States to absorb this group, I think we have to recognize that our States now doing certain jobs in this field that they have done for generations, that we have a system of poor laws in this country that we have recognized for a long time as unsuitable to our standards and that perhaps the greatest thing that has been done about the worker by the Federal Emergency Relief Administration is that it has for the first time given assistance to a group of people who were in trouble through no fault of their own, on a standard inadequate as it was, that was way over and above anything that we have known in our State poor laws. And various legislatures that are meeting this year are trying to consolidate the gains that have been made in the administration of relief by an improvement in those poor laws. But the efforts of these States, we believe, require by the continued encouragement and support of the Federal Government, and it is our belief that the States and local government with few exceptions are not prepared at this time to assume by themselves the tremendous extra financial burden which would be required in the 30 percent of the present number of families on relief rolls were shifted to their care.

State and local governments, to prepare themselves to provide for the means of those left to their care, face great obstacles in reorganizing poor relief systems, providing unified welfare departments, and satisfactory assistance programs, and progress along this line could be expected only by continuous aid from the Federal Government.

If, as is feared, the number not absorbed by a work program should constitute half the present number of families, the problem of the States would be correspondingly worse.

It is also likely that the total number of families would be more than the estimated 5,000,000, particularly in view of the announcement that relief clients only will be eligible to the work program. This refers to the fact that most of us believe that this limitation is dragging more and more families to the relief rolls.

Consideration should be given to the extent to which States are already providing welfare services not included in Federal figures. Complete estimates of costs are lacking but might be conservatively estimated at \$300,000,000 annually. These include State provisions for old age, dependent children, blind pensions, almshouses, poor relief, institutions for care of insane, feeble-minded, and son on.

If from 30 to 50 percent of the present cost of relief estimated at the rate of approximately \$2,000,000,000 a year were to be accepted by the States, it would mean an annual obligation of \$600,000,000 to \$1,000,000,000 in addition to the \$300,000,000 mentioned above. If such a situation were forced on the States and local governments, it is doubtful whether it would be possible to expect any improvement over the situation which led in 1933 to a Federal relief policy, which led some of us, as Senator Costigan has indicated, to come down here and plead for the organization of decent, adequate care for the people that we knew were in need.

No doubt some of the States would be able to pay a proportionate share from local and State taxes; but other States and local governments would be unable to do so. The extent of need is now vastly greater than at any time during which the practice of State and local responsibility for relief developed.

State and local relief programs combined have never undertaken the continuing obligation for any such number of families as it has been proposed to return to their care. The depression itself, aside from the unemployment which it caused, has reduced the natural resources of great numbers of families in all classifications of need. If, as has been suggested, the State and local governments should be asked to assume the care of 1,500,000 families, even though grants-in-aid should be provided to the extent of approximately \$100,000,000, the States' burden would be from three to four times as great as those governmental units have ever been required to care for prior to the recent time.

Now, in further support of our belief in the inability of the States to assume this burden immediately, or in the near future, we would like to refer to some figures that appear in the publication of the Brookings Institution by Mr. Warburton, entitled, "America's capacity to consume", which gives indexes of the State welfare and income, and shows, among other things—and I will not go into great detail about this—there are 18 States in this country where the per capita income in 1929 was under \$500. One of those States had a per capita income of \$237.

Senator COSTIGAN. You refer to the per capita income of the employees?

Miss KAHN. No; the per capita income of wealth in the States, which indicates something in relation to the current resources of the States.

Now I think there are a number of other points that might be made with reference to the nature of these vast resources; that is, the extent to which funds for the care of these groups that are returned to the States must be secured through equitable tax measures; and that is, without placing the burdens further on the very people who bear them now.

The State I come from, for instance, happens to be a State which, at the moment, does not have a State income tax; and in order to assume this burden all sorts of taxes would have to be resorted to, which would further burden real estate and the small merchant and the very group of people who are now burdened with other seemingly inequitable taxes. The Federal Government is, of course, at the moment, the only resource that can be used in an equitable tax program that can equalize the inequalities of income and resources throughout the States.

Senator COSTIGAN. Miss Kahn, what is the relation between the conclusions you have stated and the bill before the committee?

Miss KAHN. I was just coming to that, Senator. These things that I have said lead us to the conclusion that the titles I and II, with which we are chiefly concerned in the bill, do not adequately cover the group that the bill, in its purposes, intends to cover. We welcome this purpose of the bill to alleviate the hazards of old age, unemployment, illness, and dependency; and we believe that these titles, while they set great mileposts in our forward movement toward

economic security and care for the people of our country who require it, leave literally thousands of persons, as I think the previous witness said, "falling between the slats."

There are, of course, provisions for the aged. There are the provisions in title II for the broken families, where there is no wage earner; but I want to call your attention there to another figure of the F. E. R. A., which shows that only 3 percent of all the families under their care are broken families, and those include not only the families where there is only a mother and dependent children but also those families where there is only a father and dependent children. So it is a very liberal estimate of the number of broken families that might be considered under this title of the act.

We believe that the social hazards referred to in this bill, aggravated by the depression, affect families in a variety of ways, and that unified programs of general assistance are required to provide for the needs of great numbers of families who do not fall in the particular classifications or categories like those mentioned in titles I and II of the bill. These family situations, however, represent individual problems and are in constant change. Measures for dealing with them must, therefore, be unified and must be general enough so each person is not shifted from one jurisdiction to another when a change of category occurs.

As an illustration I would point out the families who are now finding that the assistance already afforded them under State legislation for mothers' assistance, for instance, are being shifted, in many instances, to the emergency-relief load, because the children who were formerly depended upon to supplement the State grant for mothers' aid are now unemployed.

Except for the self-defining problem of old age, families and individuals needing assistance are not permanently indigent or unemployable. Through application of rehabilitation methods, a program of public welfare could help them overcome the disasters which the depression has meant for them. The need for broad and general provision is shown by the fact that under mothers'-aid programs many more families and children are dependent on poor relief than are admitted to the preferable treatment given by the special program. I would like to further emphasize that point, because in State after State where such provisions for old age, or mothers' aid, or blind pensions, or other forms of categorical relief, as we call them, have already been set up, we find that only a small number of persons logically fall in those categorical reliefs, and somebody has to take care of all of the rest. At the present time it seems to be the Federal Emergency Relief Administration that is caring for all the rest.

In our own community there are more widows with dependent children being cared for by the Relief Administration than by the State mothers'-assistance fund. The same is true of the blind, the same is true of the aged, and the same is true of almost any other group of persons who can easily be defined and set off, if you happen to have a very simple, uncomplicated case. Some of us occasionally, Senator, do not know what to do when we get hold of a blind, unemployed veteran. There are so many different administrations in which his relief might fall.

So we believe that this group of all of the rest of persons who do not fall in the two simple categories, who are not absorbed by the works program, must be provided likewise with some public assistance of a self-respecting character.

We believe that grants-in-aid from the Federal Government to the States and to the local governments should be general, so that attention will not be given to any one special category at the expense of others. In addition to other financial pressure, a State is required to support dependent children, let us say, in one type of family. It is less likely to be able to deal with equally meritorious situations that do not happen to fall in that particular class.

Finally, we believe that all of these things that are in this present bill, and these others who are not specifically included in this bill, should be provided for through an economical, unified, Federal administration; not in the sense that it had a jurisdiction but that it is a unifying, coordinating agency in the Federal Government.

These first two titles of the act are lodged in the Federal Emergency Relief Administration—which I understand goes out of existence before the act becomes effective, if it is passed—and other titles of the bill are lodged elsewhere; and so far as we can observe, in our practical experience, these are all the same people and should not be provided for specially.

We feel that this could be done by changing the provisions of titles I and II of the security bill so that assistance on the same basis, extended to other families in need, would be given the same kind of Federal aid. By close coordination with the "tapering off" of the present relief program, the change to a cooperative Federal, State, and local program could take place in an orderly fashion, with the emergency activities relaxing as State and local measures got under way.

It is our fundamental belief that the worst feature of our present relief program is the fact that it is needed; next, that it should be inadequate, uncertain, and humiliating. With a works program providing jobs wherever possible, and Federal encouragement to States, it would be possible to build a Federal, State, and local assistance program which would reconcile the problem of the relief programs of the past. It would provide the basic means for those for whom other means were not available and would further assist each one of the family situations in its individual set of circumstances to remove itself from the general category of need. It would therefore avoid the greatest evil of a continuing relief system, namely, the segregation of a portion of the population living permanently from public relief. It would also break down the concept of pauper relief and of destitution as the basis for Government aid which characterized the relief programs in the past.

In further support of this point I would like to quote from the report of the Committee on Economic Security, in reference to administration:

The Federal Government has long had important functions in relation to social welfare. In the depression these activities have grown apace, particularly in connection with relief. For some time the Government has had the major responsibility for the assistance to above one-sixth of the entire population of the country. Hereafter, the Federal Government will still have large and continuing responsibility for many parts of the heretofore undifferentiated

relief problem, and some of our recommendations contemplate expansion in Federal social-welfare activities.

The importance which the social-welfare activities of the Federal Government have assumed is such that they should clearly all be administratively coordinated and related. The detailed working out of such coordination does not fall within the scope of this committee, but we deem it important to direct attention to the desirability of early action in this matter.

It is our belief that action in this matter should be included in the consideration of this bill, in order that we may have a single, unified Federal agency which will be coordinated with the unified State agencies required in the bill, in order to give us the most effective administration of these provisions and any others that may be added.

One of the most difficult problems for the States and local governments to deal with is that of the transient and homeless persons and families. In the past, relief funds came almost wholly from local taxes. The needs of persons from other communities were therefore disregarded, and the transient and homeless person or family was kept on the move from place to place. By the use of Federal funds, it has been possible to provide measures to deal with this problem, and only through regular participation of the Federal Government is it likely that continuing provision will be made. It may properly be assumed that a Government work program may be the means of giving employment to large numbers of transients, but not all of these persons could be regularly put to work because of age, health, and other handicaps.

Continued Federal aid to States for the purpose of helping the States to provide care for persons in need could be most appropriately given by grants-in-aid for general assistance programs of State and local governments, administered through a permanent bureau or department of the Federal Government, combining economically the administration of special grants-in-aid for particular classes of need, and providing a means through which collateral services of the Federal Government could cooperate most effectively in strengthening the Federal, State, and local programs to care for those in need.

The program of the Federal bureau should be broad enough to include the following:

(a) Old-age assistance grants-in-aid as provided in the security bill (S. 1130).

(b) Families and dependent children without breadwinners able to be employed in public or private employment. This would include the provision that is made for some of these families under title II of the security bill (S. 1130).

(c) Families whose wage earners, because of long periods of unemployment, have incurred disabilities due to physical disorders and mental strain.

(d) Those able to work but because of industrial dislocation or for other causes cannot be fitted into employment programs.

(e) Transient and homeless families and individuals who cannot be employed on a work program.

(f) The families, such as those now on relief rolls, who are on part-time nonrelief jobs but whose wages would need to be supplemented.

(g) Families and individuals in villages and semirural areas not accepted for rural rehabilitation and for whom no work program is available.

The county or regional assistance office would be the point of local administration served by a State public welfare department. Such a department would in turn be served by the Federal bureau.

Particular services to be performed might be the basis for divisions within the bureau, as follows:

(a) Division on family and child welfare: Through a field staff, this division would serve as the connecting link between Federal and State programs.

(b) Division of accounting, statistics, and research. This division would be responsible for providing national reports on the amount of assistance under various Federal appropriations, and responsible for collecting such data as was necessary for determining the amounts of grants-in-aid to the several States. The division would also be expected to develop a system of statistics concerning the extent of the problems and the functioning of the local, State, and national measures under which the various governments operated.

(c) Division on personnel and training: The character of public-assistance program would depend to a great extent upon the kind of persons employed to deal with those who were in need of assistance and with the administrators of the programs. In order that the personnel could be kept free from partisan politics and could be selected on a basis of qualifications which would assure the local administration being at the level of Federal standards, the division on personnel and training should be available to maintain standards of personnel selection and assist in the professional education of persons who would become eligible for positions in the assistance program. In view of the cooperative nature of the relationship between the Federal, State, and local programs, it is urged that the Federal Civil Service Commission be authorized to set the standards for the State and local merit selection of personnel.

The field staff of the Federal bureau would represent special provisions made by the Federal Government for any special categories of need, such as, old age, dependent children, and so forth, in relation to the State departments. The Federal bureau would be equipped with such specialists in the various kinds of public assistance as would be necessary and these specialists would work with the States through the general field staff. The operation of the bureau would be under a chief and an assistant chief in general charge of the various divisions and functions of the bureau.

The bureau should have, in addition to the authority to require certain standards regarding personnel to be employed by State and local governments, authority also to establish standards regarding adequacy of assistance and establish certain minimum policies regarding the functions of the Federal, State, and local assistance programs. In addition to its authority to allocate grants-in-aid from the Federal Government to the States, some provision for equalization should be included in its authorization in view of the varying degrees of need in the several States and the varying capacities of the States to meet these needs.

Senator KING. Mr. Sherwood Reeder.

STATEMENT OF SHERWOOD REEDER, WASHINGTON, D. C., ASSISTANT DIRECTOR, UNITED STATES CONFERENCE OF MAYORS, AND OF THE AMERICAN MUNICIPAL ASSOCIATION

Mr. REEDER. My name is Sherwood Reeder, representing the United States Conference of Mayors and the American Municipal Association. I am speaking particularly for the executive committee of the United States Conference of Mayors consisting of Mayors Hoan, of Milwaukee; LaGuardia, of New York City; Rossi, of San Francisco; Mansfield, of Boston; Jackson, of Baltimore; Holcombe, of Houston; and Overton, of Memphis. I am also appearing on behalf of the committee on Federal policy of the American Municipal Association, which committee is authorized to express its viewpoints on behalf of 32 State leagues of municipalities throughout the country.

I shall speak briefly and solely with reference to one minor matter with the purpose of asking the committee to make specific what the President's Committee on Economic Security and the drafters of this measure undoubtedly intended to be specific, but which, as now drafted, is general in phraseology and could possibly lead to confusion.

We ask the committee to insert the word "government" after the word "State" in line 6, page 3 of the Senate bill. This is subsection (a) of section 4 of title I—the title having to do with old-age assistance.

Senator KING. Insert what word?

Mr. REEDER. Insert the word "government" after the word "State."

Senator KING. "Financial participation by the State government"?

Mr. REEDER. Yes, sir; I am going to explain what we mean by that. Through informal conferences with members of the research staff of the President's Committee on Economic Security, we understand that the intent of the old-age-assistance plan is for substantial financial contributions by the State governments. However, as now drafted, this is not specifically stated, and we feel, on the basis of past experience, that to insure fair and just financial participation by the States, the word "government" should be inserted. If this is not done, there is the possibility of States shifting the whole State financial burden to the local governments. This is exactly what has been done under the Federal Relief Act which is similarly worded. In Massachusetts, for example, the State has for the past 3 years shifted the whole relief burden to cities, with the result that only Federal and city funds are being used to meet the relief needs of that jurisdiction.

Senator KING. Mr. Reeder, do you not think the States are better able to determine the wishes of the people within the States than we are? You are challenging the competency of the States to govern themselves with respect to a matter which pertains to the entire State.

Mr. REEDER. Senator, as we understand the intention of the committee which originally worked on this bill and made the study for the President, as well as those persons who drafted the relief bill some months ago, it was their intention that the State governments,

as units, should make the contributions and not the local governments, and the reason for their attitude, I think, and the reason for our attitude, is the point which I am just about to make, that the only source, or the principal source of revenue to local government, is revenue from property taxes. Many of us feel, and some groups feel very strongly, that property has carried too much of the burden. Now a State, as well as the Federal Government, has many other sources of revenue. A State may levy an income tax, it may levy a sales tax, a gasoline tax, and it has other sources of revenue which would be very detrimental for a local community to levy.

This provision in the bill says that a substantial contribution shall be made by the State. We have seen in the relief situation, in Massachusetts as one extreme example, not a cent of contribution was made by the State government, and the local communities had to carry it all.

Senator BYRD. Where is that?

Mr. REEDER. On page 3, line 6. If this is injected in the bill it does not mean the local governments cannot still be called on by the State to make the contribution, but the State government, as such, must make a definite contribution.

Senator KING. Proceed.

Mr. REEDER. We are anxious not to leave any loopholes which, either through too general phraseology, or discretionary action by Federal authorities, States may be enabled to "pass the buck" to those units of government which are dependent almost entirely upon revenues from the general property tax.

I feel sure that in view of the apparent intent of the plan, the Economic Security Committee would support this minor change.

I thank you.

Senator KING. Thank you very much. Mr. Forster, come forward, please.

**STATEMENT OF H. WALTER FORSTER, LIFE INSURANCE PENSION
DIVISION OF TOWERS, PERRIN, FORSTER & CROSBY, INC.,
PHILADELPHIA, PA.**

Mr. FORSTER. My name is H. Walter Forster. I am vice president of Towers, Perrin, Forster & Crosby, Inc., of Philadelphia, and in charge of the pension consulting division of that corporation.

Since 1906 I have devoted most of my time to consulting work for important operations, dealing with employer-employee relationship, and from 1917 on an increasing scale, supported by a large staff, I have devoted myself to the problem of pensions for such employees.

During the past few months, when this legislation was pending, our clients, and many other corporations, have uniformly raised the question as to whether the bill which would be passed might not properly have a provision in it under which a pension plan already in force and properly financed, and more liberal as to benefits, might be continued, or that in the future more liberal and properly financed pension plans might be established. That is a reasonable request, in my judgment, and it is one which George A. Hawkins of Philadelphia presented recently before you in behalf of certain churches, and Mr. Marion B. Folsom of the Eastman Kodak Co. also suggested to you. I had the pleasure of being the consultant to the

Eastman Kodak Co. on that plan, in behalf of one of the life insurance companies. I prepared a brief, Mr. Chairman, which covers the point, and we suggested alternative amendments, one rather detailed and one very simple. If you will grant me a very few minutes I will try to give the gist of the argument.

Senator KING. Is your brief printed?

Mr. FORSTER. I have one copy with me.

Senator KING. I wish you would leave a few copies with the clerk of the committee.

Mr. FORSTER. I have four or five other copies which I shall be glad to leave with you.

Mr. Folsom yesterday, in answer to a question, stated there are some 400 industrial plants in America who have an industrial insurance plan, and when you add the charity and financial institutions you have 600 such plans, employing two or three million people.

Senator KING. I think it was 300 plants.

Mr. FORSTER. Approximately that many are behind it. The reserves are set out irrevocably with insurance companies, totaling at least \$700,000,000. In other words, American business has money behind this relief in pensions. It seems reasonable that you should not, as representatives of the welfare of the Nation, cut down the prospective benefits of employees who are fortunate enough now to be under these plans, or who hereafter come under plans of that character, providing the benefits in all cases are equal or better and the reserves are set up in a manner approved by the Social Insurance Board. There is no talk for the moment that there should be any lowering in the minimum standard which you have set. Incidentally, gentlemen, the fact that there are today these plans in force is excellent evidence of the general propriety of extending the idea of pensions for people gainfully employed.

Senator KING. Do you think if this plan which is now under consideration by this committee should go through, it would have a detrimental or injurious effect upon these four-hundred-odd organizations or the provisions which have been made for pensions?

Mr. FORSTER. That is a very pertinent question, Senator, and I should say that in a good number of cases where employers had seen fit to build up the first-class plan; or, if they had to take the employees out of that and put them in the Federal plan, might very logically say, "Well, we do not care very much more about the plans. If we cannot go with the first class, admittedly safeguarded proposition, why go ahead with the plan at all?" Your standard is a minimum standard. You want to do everything you can to encourage citizens having pensions.

Senator KING. Are you going to submit to us a proposition so that we might, in legislating, continue and preserve the schemes which have been made by these organizations?

Mr. FORSTER. Exactly so.

Senator KING. And at the same time go forward with a general plan?

Mr. FORSTER. Our clients have, speaking largely, no objection to a Federal pension plan. The only question is, do not destroy or tear down or minimize what already has been established. We have an excellent example, gentlemen, of the propriety of doing that in the fact that this bill before you excludes Federal employees, who are

under a pension plan. Why is that? I think, although I am not in the confidence of the men who drew the bill, it is because they have a plan that is better as to benefits, and the money behind it. Incidentally, those employees are contributing now, and have for 8 years, $3\frac{1}{2}$ percent of their pay toward the pension plan. That is far more than proposed under the various scales that have come before you.

You realize that the problem is a tremendously difficult one and various competent men have stood before you and proposed terms for the benefits, the contributions, and so on. Necessarily, the system is an experimental one and it is going to take years before this proposition settles down to what might be termed a permanent basis, as it is in England, where they pay a pension of 10 shillings a week; nothing as liberal as here proposed.

Senator KING. You think a plan could be provided in the bill by which they could integrate these organizations with the organizations set up by this bill?

Mr. FORSTER. Absolutely. The only two provisions you would have to make would be, first, that private plans of that character may be operated; and, second, if an employee who elects to come under such a private plan thereafter leaves his employment, there should be set up for him securities similar in character as if he stayed as a Federal employee who has these benefits.

Senator KING. How can we interdict the States from imposing like burdens, through property taxation or otherwise, upon the 400 associations or those who set these plans up?

Mr. FORSTER. I am speaking, Senator, only of titles III and IV which apply to the contributory old-age annuity plan, which is a Federal project pure and simple. There is no proposal in the plan that the States shall have anything to do with it.

Senator KING. You are not talking, then, of the old-age pensions in the act?

Mr. FORSTER. Not the old-age pensions which are gratuitous. I am talking about pensions which are a matter of right of workers to fulfill certain requirements.

Senator COUZENS. Do you include unemployment insurance?

Mr. FORSTER. No, sir; I am speaking strictly of titles III and IV, which is pertinent to the thing I have before me. The proposal is that the social-insurance board, which is set up as an agency to administer this plan, shall have the right to determine that plans which employers have or may desire to inaugurate are actually equal or better, and that the financial agency used, which presumably will be the great life-insurance companies, but not necessarily so, will be satisfactory to them; and if they can be so satisfied, then the employer shall be permitted to operate such a plan, with the right of supervision and revocation of that right, for necessarily the Nation must be certain that no citizen is not treated as favorably as this bill intends he shall be treated.

Senator COUZENS. Did you have anything to do with the Eastman Kodak set-up of the unemployment pension plan?

Mr. FORSTER. Not necessarily. Mr. Folsom is outstandingly able in that field. He is one of the few men who have had experience and one of the few men who appeared before you who have had

actual experience with pension plans for a great many years and with a great many organizations, just as I have. You know there are about 300,000 employees who are voluntarily contributing to these plans.

Senator COUZENS. Where are the funds kept in that case? Are they under the jurisdiction of the corporation?

Mr. FORSTER. The funds are always set up under the corporation's control and are kept either in life-insurance companies or by the trustees.

Senator COUZENS. There is no danger of having the funds dissipated?

Mr. FORSTER. No, sir. I know of 200 or more cases where the employer has no right whatsoever to this reserve except as he has to pay it out in pensions to his employees. That is his only rate. He cannot recapture the fund. In practice that is essential.

Senator COUZENS. Very essential. I was interested in where the funds are kept and who does control the funds.

Mr. FORSTER. The funds are kept, to a large extent, in life-insurance companies, and to a considerable extent by corporate trustees, and in some cases by officers of corporations acting as trustees to whom they are irrevocably assigned.

Senator COUZENS. Is there any limitation of the investment that those funds may be in?

Mr. FORSTER. The life-insurance companies of necessity are controlled by law. The corporate trustees who are acting, and private individuals acting as trustees, generally use very conservative methods of investment, because we have a long-time obligation here which will mature many years hence for most employees, and it requires a conservative investment.

Senator KING. You may proceed with your talk, Mr. Forster.

Mr. FORSTER. One of the arguments, Mr. Chairman, in favor of this procedure is this: You have had much testimony before you that the Treasurer of the United States is concerned about the difficulty of investing large amounts of money in Federal securities. To the extent to which present plans or future plans can find safe avenues of investment, through life-insurance companies and trustees, in either gilt-edged securities or Federal securities, you are helping to support the entire social insurance program. Every dollar that is behind this thing in gilt-edged investments strengthens the program.

There is one other point, Mr. Chairman, that I would like to touch upon. Yesterday, one of you gentlemen asked Mr. Folsom whether he thought it was desirable for the Government to enter into the selling of individual annuities under the voluntary annuity provision. Mr. Folsom said he presumed, and he is correct in that respect, that it was a way by which persons who could save only small sums of money might set it aside for their own old age. You have, of course, under the Federal Government at the present time, the Postal Savings System, and you have the new baby-bond plan which has been approved. So there are adequate means to save money for any purpose whatsoever. They could turn to the life-insurance company, if they cared to, and buy annuities for \$100 a month and more. It could be permissible to eliminate the voluntary annuity provision

under the bill, because its general use, to a great extent, based upon Canadian experience and Italian experience, indicates that it is an unnecessary provision to an otherwise fundamental, desirable program. I am not urging that upon you, but, as I say, there are fatalities for accumulating small sums of money with Government help at the present time.

Senator KING. As viewed by the past, if any authority were given to agencies of the Federal Government, it is assumed that a large bureau would be set up, with tremendous machinery and at tremendous cost at the inception of this annuity plan, although the plan itself would assume very small proportions?

Mr. FORSTER. That is a possibility.

Senator KING. I think it is a certainty.

Mr. FORSTER. Perhaps you are right, sir. I do not know. I do know that in Europe the administrative forces for looking after projects of this character are astonishing large. That is an element of the cost which, of course, has to fall on us all, because in the aggregate we citizens, out of our earnings, have to produce the benefits.

Senator COUZENS. Have you any figures showing the percentage of cost for taking care of these funds?

Mr. FORSTER. Six or seven life-insurance companies, with whose figures I am quite familiar, are at the present time spending about 2 percent of income in the way of pension reserves for administration.

Senator COUZENS. Have you any figures as to what it costs in these private enterprises that have these pension funds?

Mr. FORSTER. In those cases, sir, it is usually nothing because the officers act as trustees without extra compensation and the clerical work is absorbed. In other words, the administration has been very moderate.

Senator KING. Is that true of all of the 400?

Mr. FORSTER. About 300; yes; that is true. The funds in the hands of the insurance companies are all operated at about that expense ratio. If a corporation is retained to handle the money, it is a very moderate amount of work, simply the investment and safeguarding of funds. The granting of pensions is done by the management, of course.

Senator KING. There is one question that I asked a few moments ago and I am not quite satisfied as to the result of the integration of these organizations with the Federal Government. Take, for instance, the question of the old-age pensions. The State is putting up a certain amount and the Federal Government is matching it. Notwithstanding your pension plans, and assuming that they are continued and nothing in any bill that we may pass interferes with the continuity of those organizations, and others of like character that may be formed, would not those corporations, notwithstanding they may have a better system of dealing with their employees than that provided by the State and Federal Government, be compelled to pay under the old-age pension provision of \$10, \$15, or \$18 a month?

Mr. FORSTER. Yes, sir.

Senator KING. You would have to pay that?

Mr. FORSTER. Yes, sir.

Senator KING. Although you may be carrying out your pension plan for those who have reached 60 or 65 years of age, you may still have to pay to the State fund?

Mr. FORSTER. You would be allowed a credit to the extent of your fund as far as the Federal Government was concerned, but you would still have your taxes payable to the State. As far as the State is concerned, the corporation will have to pay its share of taxes with which the \$15 benefit is supported.

Senator KING. Then it may set up a fund and administer it, under the terms of which its employees who reach 60 or 65 years of age may receive pensions in excess of those granted by the Federal Government and by the State, and yet at the same time be compelled to pay State taxes to the State?

Mr. FORSTER. Yes, sir.

Senator KING. To pay for the old-age pensions of those who are outside of that corporation?

Mr. FORSTER. That is correct. All we are asking in our suggested amendment is that those employers and their employees who want to do so, who operate these approved plans, that a remission of taxes levied under this bill may be made up to the extent to which they make the payments into these funds. No corporation will come to the Social Insurance Board and ask to operate this way unless it is going to have better benefits by putting in more money; that is obvious.

Senator KING. I still do not make myself clear. It would seem to me that with the possibility—with the certainty indeed—that you continue these private pension organizations that have been formed by these four hundred and more and pay old-age pensions, if you are expected to tax yourself to provide for your own old-age pension system and then you have to pay taxes to the Government, I suppose you would be driven out of business.

Mr. FORSTER. I do not think so, sir, for the basic reason, the underlying reason, why these pension plans exist is as an efficiency measure. These liberal pensions are designed to get rid of ineffective men, for the welfare of the business and for the proper self-retirement of men who have given many years of service. It is an efficiency measure inherently; therefore if a corporation has, in the past, been able to afford such a pension plan—and we hope it will be able to do so in the future—it is going to be able to meet the share of Federal taxes and any State taxes that may be imposed on it.

Senator KING. In addition to its own pension system?

Mr. FORSTER. Yes, sir; absolutely. Thank you very much.

SUPPLEMENTAL STATEMENT OF H. WALTER FORSTER BEFORE THE COMMITTEE ON FINANCE, UNITED STATES SENATE, SEVENTY-FOURTH CONGRESS, FIRST SESSION, ON SENATE BILL 1130

1. I am the vice president in charge of the life insurance and pension division of Towers, Perrin, Forster & Crosby, Inc., of Philadelphia. That corporation and the former firm of Brown, Crosby & Co., of Philadelphia, in which I was a senior partner in charge of the same division, have been pension consultants since 1917.

2. We have been retained by many important corporations and have assisted in the installation of new or revised pension plans. Some of our clients have insured their plans; others have turned over substantial reserves to trustees other than life-insurance companies, to the end that their employees might be assured of eventual retirement income; a number have asked their employees to contribute toward the cost of these plans, in every case with almost a 100-percent response.

3. In discussing impending Federal pension legislation with our clients and other corporations, the question was quite uniformly raised as to whether the proposed legislation would permit employers, in lieu of the Federal plan, to

continue in force existing employer plans, to inaugurate new employer plans prior to the effective date of the Federal plan, or thereafter to substitute employer plans for the Federal plan, provided, in each case, the employer plan, in operation or proposed, could be shown to the satisfaction of the Government to be properly financed and equal to or more liberal than the Federal plan. A study of the bill now before Congress discloses the fact that apparently no such provision is included. Hence, my appearance to request amendment to cover that point. I appear as a student of, and consultant upon, the pension problem, and not as a representative of any specific client.

4. My remarks are limited to titles 3 and 4, dealing with the contributory old-age annuity plan. After discussing the principle, I am proposing an amendment to permit certified private annuity plans.

PRIVATE PENSION PLANS NOW IN FORCE

5. Most persons are familiar with the fact that Federal, State, and municipal employees are generally under pension plans, and that the same thing is true of most railway employees. However, many persons do not know the extent to which pension plans have been adopted by American business enterprises. Mr. Murray W. Latimer, in his outstanding book, *Industrial Pension Systems*, recorded up to May 1932, exclusive of governmental and railway-pension plans, no less than 434 formal American pension plans in organizations employing over 2,000,000 persons. Since that time the number of plans has grown to exceed 600, and the number of persons covered has also increased. For the purpose of my argument, however, only those plans warrant consideration which now have reserves behind them. The following is a conservative statement of the situation at the present time:

(a) At least 300 plans of industrial and financial institutions and public utilities, other than railways, have reserves irrevocably set aside with life-insurance companies or other trustees.

(b) These reserves aggregate at least \$700,000,000 and are rapidly being increased.

(c) Over 1,000,000 persons are employed by these organizations, and those who remain to pension age will participate in the benefits of the plans.

(d) Approximately 300,000 of these employees now are contributing toward the cost of their eventual benefits.

6. These pension plans, established voluntarily and primarily as an efficiency measure, constitute the best possible argument for the general application of the pension idea to persons gainfully employed.

PROPOSED SAFEGUARDS FOR EMPLOYEES

7. While the desirability of a Federal pension plan is widely recognized, and if enacted will eventually extend a measure of old-age security to millions of workers, it seems most desirable not to force a change in existing plans or to discourage more liberal, properly financed future plans, provided:

(a) Benefits exceed those of the Federal plan.

(b) Employers and employees jointly desired such plans. Of course, if certain employees do not wish to continue, or to join upon being employed, they would come under the Federal plan.

(c) Adequate financial provisions have been or are about to be made.

(d) When an employee leaves the employ, the employer would pay to the Government the contributions which would have been made under the Federal plan, together with sufficient interest to give him the status he would have achieved under that plan, or credits could be given him under the employer-plan, on a basis satisfactory to the Social Insurance Board.

NEED OF LIBERAL EMPLOYER PLANS

8. In my opinion, the proposed contributory pension plan is very liberal for a national act. A comparison with European plans—notably the 10 shillings per week pension in Great Britain and about equal average pensions in Germany—indicates this clearly, even after allowing for the difference in average earnings of the citizens of these countries and our own. The eventual deficit under the proposed plan now before you bids fair to be so large that in no event should the scale of benefits be increased.

9. In spite of the fact that the proposed Federal contributory pension plan is liberal for a national plan to be carried by all employers, whether prosperous or not, its benefits are on the whole substantially lower than those pro-

vided under employer plans of recent origin. Obviously, the proposed legislation should encourage the employer who feels financially able to pension his employees more liberally and is willing to set up the necessary reserves on an actuarially sound basis.

10. No provision is made in the proposed plan for employees who on January 1, 1937, will be age 60 or over, who aggregate a very large number. It is desirable that employer plans should provide for these workers, and, also, that tens of thousands of their former employees now pensioned should continue to receive their pensions. Certainly it would seem desirable for Congress to take no steps that will discourage continuance of satisfactory existing plans or the establishment hereafter of liberal plans properly safeguarded.

11. It may be argued that all employers should bring their employees under the Federal plan, and that those who chose to do so could supplement it by a second plan to any extent desired. This, of course, could be done, but it obviously would be simpler and better to operate a single liberal plan rather than to have the benefits vary as between two parts of the protection program. For example, if the employer portion permitted women to retire at age 60, which is the usual practice, they would receive employer benefits only until age 65, after which they would be entitled to benefits both from the Government and the employer. The same thing would be true of earlier retirements under employer plans because of disability or other reasons, but not provided for under the Federal plan. Experience with pension plans of some of our largest employers indicates that such disability retirements are a substantial proportion of the total number. Under the employer plan, liberal treatment would naturally be given as to the entire benefit.

12. There are definite advantages to the Government in granting employers an option such as that outlined above because—

Government relieved of old-age-assistance payments.—(a) Every employer plan takes care, in a relatively generous manner, of present pensioners and of employees now aged 60 and over who are excluded from the contributory Federal plan and who, if not pensioned by employers, would in part at least involve Government cost through giving them old-age assistance in cooperation with the States.

(b) *Government relieved of old-age annuity payments.*—Every such plan, whose proper financing would be assured in each case, would relieve the Government of some of the deficit which will arise under every Federal pension paid for decades to come because of the admitted inadequacy of the proposed rates of contribution.

(c) *Unemployment payments reduced.*—Every such plan would relieve the proposed unemployment reserve plan of costs, because under employer plans it is customary to pension older employees who have had reasonable service if it is necessary to release them before age 65 because of disability, inefficiency, technological changes, or other reasons. Employees so protected would not involve payments from unemployment reserves. If employers operate only under the Federal pension plan, many would release such employees, who would thereupon draw maximum unemployment benefits and constitute an economic problem for the years prior to age 65 as well as thereafter, because their accrued pensions would be adversely affected by their early retirement from gainful employment.

(d) *Government relieved of details.*—Every such plan would relieve the social insurance board of a considerable amount of detail as to records, investigations, and payment of pensions. Only general supervision would have to be exercised over those plans which would be permitted to operate without participation in the Federal plan. When one takes into account the stupendous task which confronts the social insurance board in administering a plan involving over 25,000,000 citizens, it is obvious that plans should be permitted which will not only reduce the details of operation but at the same time materially benefit a portion of our citizens.

(e) *Total annuity reserves increased.*—The Government wants to restrict the total reserves under the proposed plan, not because larger reserves are inherently unwise but because of the difficulty of investing the money. Life-insurance companies and other pension trustees have found it possible to accumulate safe investments yielding over 4 percent, and their continuing to do so should be encouraged. To the extent that employers' plans, whose benefits include what the Federal plan would provide, set up proper reserves for the entire benefit, the whole financial structure of pensions is strengthened and the Government relieved of the investment of any reserves which support these plans.

(f) *Market for sound securities increased.*—Life-insurance companies and other trustees of employer plans seek conservative and, on the whole, long-time investments, since the heaviest pension obligations are many years away. Government bonds constitute only a moderate portion of such investment portfolios, and the existence of these trusts creates a desirable market for nonspeculative investments. There are no contingencies likely to arise under pension plans which would ever cause the trustees to throw upon the market large blocks of securities and have a detrimental effect upon business in general or upon Government financing in particular.

CONTROL RETAINED BY GOVERNMENT

13. No such all-inclusive plans would be permitted except by specific approval of the social insurance board, which board could issue the detailed governing regulations which would be required in operating such plans.

14. Since an option to responsible employers to continue or to establish liberal, properly safeguarded pension plans would, if exercised, be highly desirable in the interest of their employees and advantageous to the Government as well, it is hoped that such a provision will be included in the final draft of the bill.

15. To permit of the separation of certified private annuity plans, a new section is suggested. This proposed new section has been given tentatively the number 308 although in the final draft of the bill it might more appropriately follow immediately after section 302.

ALLOWABLE CREDIT

SEC. 308. (a) Subject to the provision of section 308 (c) hereof, for any period during which an employee elects to be a participant in a certified private annuity plan only, there shall be credited against the tax imposed for that period under section 301 hereof:

(1) The amount of contribution paid by the employee under such a certified private annuity plan or authorized by him to be deducted from his wages and paid under such plan; or

(2) In the event that the certified private annuity plan is financed by the employer exclusively, the amount paid by the employer under the plan on behalf of the employee in addition to amounts paid by the employer under section 308 (b) hereof.

In cases where such credits are allowable, the amount to be collected and paid under section 301 hereof shall be the amount of taxes imposed thereunder less such credits allowable.

(b) Subject to the provisions of section 308 (c) hereof, for any period during which an employer operates a certified private annuity plan there shall be credited against the tax imposed for that period under section 302 hereof upon the pay roll of such employees as elect to participate in such certified private annuity plan, the amounts paid by such employer under such certified private annuity plan in respect of such participating employees. In cases where such credits are allowable, the amount to be collected and paid shall be the amount of taxes imposed less such credits allowable.

(c) Such credits shall be allowed to any employer or employee operating under a plan which has been certified by the Social Insurance Board to the Secretary of the Treasury as conforming to the following minimum requirements:

(1) Only such employees shall come under such private annuity plan as elect to do so.

(2) The annuities provided under such private plan shall, as to such employees, be not less than those otherwise payable under section 405 of this act.

(3) The aggregate contributions to such private plan by employees and employer shall not be less than the aggregate taxes provided by sections 301 and 302 hereof.

(4) Such contributions shall be deposited currently with a life-insurance company, or other trustee, approved by the Social Insurance Board.

(5) Upon withdrawal of an employee from such private plan there shall either (A) be paid into the Treasury of the United States on behalf of the withdrawing employee out of the funds of such private plan, a sum equal to the credits allowed as to such employee under section 308 (a) and 308 (b) hereof, together with interest accretions as determined by the Social Insurance Board, or (B) be provided, subject to the approval of the Social Insurance

Board, for such employee, a deferred annuity not less in amount than would otherwise have been credited to him under section 405 of this act.

(6) Upon the death before retirement, of an employee covered under such private plan, there shall be paid to his legal and/or actual dependents, a sum not less than the amount of the tax imposed under section 301 of this act during the period of membership in such plan together with interest thereon as determined by the Social Insurance Board.

(7) Upon the death after retirement, of an employee covered under such private plan, there shall be paid to his legal and/or actual dependents, a sum equal to the excess, if any, of the amount stated in section 308 (c), paragraph 6, over the annuity payments which would have been otherwise payable to him under section 405 of this act.

(d) For the purpose of calculating any annuities that may be payable under section 405 of this act, membership in such certified private annuity plan shall give the employee the same rights as to date of entry under this act as if taxes had been paid on his behalf under sections 301 and 302 hereof from the beginning of his membership in the private plan.

(c) Any employer may make written application to the Social Insurance Board for certification to the Secretary of the Treasury of an existing or proposed private annuity plan as being in conformity with the requirements of section 308 (c) hereof, accompanying such application by as full description of the plan and such other proof as may be needed that the plan does conform to these requirements. Within 90 days of the filing of such an application, it shall be the duty of the Social Insurance Board either so to certify the plan or to notify the applicant of the particulars wherein the plan does not conform to the minimum requirements as stated in section 308 (c) hereof. A plan so certified shall be known as a "certified private annuity plan."

(f) The Social Insurance Board shall have the right to call for such reports from the employer and to make such inspections of his records as will satisfy it that the requirements are being met and in general to make such regulations as will facilitate the operation of such certified private annuity plans.

(g) Any certification given by the Social Insurance Board in accordance with this section shall be revoked.

(1) Upon the request of the employer, or (2) upon failure of the employer to fulfill the requirements of section 308 (c) hereof.

In either event, the employees covered under the certified private plan shall be treated as withdrawing employees as provided in section 308 (c), paragraph 5.

(h) Upon withdrawal of an employee from a certified private annuity plan, the Social Insurance Board shall either approve such deferred annuity as is described under subsection (c) 5 (B) of this section, or shall certify to the Secretary of the Treasury the amount to be paid as in subsection (c) 5 (A) of this section.

Upon such certification, the amount so certified shall be collected by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury.

16. It might be desirable, that this whole idea should be covered in much more brief and general language and accordingly we submit below a possible alternative amendment:

PERMITTED PRIVATE ANNUITY PLANS

SEC. 308. (a) Any employer who demonstrates to the satisfaction of the Social Insurance Board that a private annuity plan proposed or in operation provides, as to any employee who elects to join such plan, benefits not less than those set forth in section 405 hereof, and that contributions toward such plan not less than the aggregate of taxes specified in sections 301 and 302 hereof are being or will be deposited with a life-insurance company or trustee acceptable to the Board, shall be permitted to operate such plan and, as to any employee who elects to join it, there shall be credited to such employee and his employer, against the taxes imposed under sections 301 and 302 hereof, the contributions made by him or on his behalf to such private annuity plan. The amount to be collected and paid under sections 301 and 302 hereof, shall be the amount of taxes imposed thereunder less such credits allowable.

(b) For the purpose of calculating any annuities that may be payable under section 405 of this act, membership in such a permitted private annuity plan shall give the employee the same rights as to date of entry under this act as if taxes had been paid on his behalf under sections 301 and 302 hereof, from the beginning of his membership in the private plan.

(c) The Social Insurance Board shall have the power to make such rules and regulations as will facilitate the operation of such permitted private annuity plans, and shall have the right to revoke such permission either upon the request of the employer or upon the failure of the employer to fulfill the requirements of this section.

Senator KING. Mr. Reymond, of Binghamton, N. Y.

STATEMENT OF M. H. REYMOND, BINGHAMTON, N. Y.

Mr. REYMOND. My name is M. H. Reymond. I appear as an ordinary citizen, not in behalf of any special interest or group.

Senator KING. What is your business, Mr. Reymond?

Mr. REYMOND. My business is industrial engineering. I have done work for many well-known companies. In that connection I have had occasion to observe the problem of insecurity in industry at the place where it is actually developed. I have also made a careful study of the general problem of industrial depression and unemployment during the past 15 years.

What I propose to show is as follows: First, that the currently agitated theory of trying to create prosperity by increasing the benefits under the present bill is an economic delusion; and, second, that even if the benefits are not increased, this bill, if enacted into law, will have a retarding influence upon our recovery from the existing unemployment.

I also propose to place the general subject of economic security before this committee in a new light that I believe may prove helpful not only in appraising this particular bill but also in appraising other legislation that is constantly coming before you.

In order to keep myself from wandering away from the subject and to conserve time, I have prepared a preliminary statement which I estimate will take about 10 or 15 minutes. I assume it is satisfactory to go ahead on that basis.

Senator KING. You can have 10 minutes. Read it as rapidly as you can.

Mr. REYMOND. While I am thoroughly in sympathy with the humanitarian impulses behind the present economic security bill, I am concerned about the prospect of its turning out to be another one of those well-intentioned things that, at a time like the present, may do more harm than good. This danger is particularly great if this bill is looked upon as an agency wherewith to create prosperity and the expenditures under this bill are extended under the delusion that expenditures of this kind can create prosperity. The economic fact is just the reverse. Even if this bill is passed without any additions to the proposed expenditures, its effects will be to retard recovery and extend somewhat the time until our vast army of unemployed workers shall have been reabsorbed by private industry.

I submit that if legislation of this kind should be passed at all at the present time, it should be purely on the ground that the humanitarian benefits will outweigh the economic disadvantage of putting a damper on recovery from unemployment.

I will now try to show why legislation of this character will retard the solution of the existing unemployment problem.

In order intelligently to appraise the influence upon unemployment of legislation of this character—or of any other legislation for that matter—it is necessary first of all to understand what causes

unemployment. My experience is that very few people know what causes unemployment. This applies not only to people in general and their political representatives but also to corporation managers and to labor leaders and to professional economists. It is no wonder this unemployment problem has been mishandled, when most of the people who have been intrusted with its solution do not themselves understand the nature of the problem they are dealing with. And yet, the cause of unemployment is really quite simple and understandable. It is merely the fact that the margin of profit between selling prices and costs of production has been so contracted as to force the partial or complete closing down of most of our business enterprises.

This began in 1929 when a rapid decline in prices, due in turn to a complication of financial causes, which it would be inappropriate to discuss in detail at this time. Costs of production did not decline as rapidly as the general level of prices, for two reasons. One reason was the fact that the human element in industry resists any rapid reduction in wage and overhead costs. This applies to employers as well as to employees. Neither of them like to see wages reduced, and neither of them like to reduce overhead costs any more than is necessary. The other reason was the fact that our Government exhorted employers to keep up wage rates and to spend all they could on plant facilities, in addition to paying higher taxes to finance Government expenditures.

The inevitable result of rapidly declining prices, combined with less rapidly declining costs, was a wiping out of profits, a contraction of enterprises, and a growing army of unemployed workers.

I submit to you that these are the basic facts of the unemployment problem.

With this understanding in mind as to what causes unemployment, I submit that there are only two intelligent ways to attack this problem. One is in the direction of reducing wage and overhead costs. The other is in the direction of efficiently restoring the general level of prices.

Thus far, since 1929, we have done neither of these things. In the direction of restoring the general level of prices we have wasted time and resources on positively erroneous schemes that were foredoomed to inefficiency and failure.

Senator KING. Such as the N. R. A.?

Mr. REYMOND. That was one of them. The Public Works program was another one. The monetary scheme was another, and there were others.

Senator KING. Inflation?

Mr. REYMOND. Yes. I would like to be able to go into detail on all those subjects, but of course that would be departing from this bill.

In the direction of reducing the wage and overhead costs we have done worse than nothing. In all of the 5 years since 1929 we have resisted the reduction of these costs. Our intentions were good. We wished to help labor and relieve unemployment. Actually, with what might be called misguided humanitarianism, we have unnecessarily prolonged the problem of unemployment and we have retarded the recovery of adequate earnings per week by the wage worker. We have forced the closing down of many small marginal businesses and we have compelled many employers of labor who were

formerly humanely inclined toward their employees, to discharge aged, infirm, and otherwise handicapped employees in order to stay in business at all, thus swelling the ranks of what are now called the unemployables.

This brings us to the question of whether the present bill at the present time isn't another similar piece of misguided humanitarianism. This bill proposes a 2-8 percent tax on payrolls plus initial contributions by the Federal Government of \$80,000,000 per year to \$200,000,000 per year. It further proposes a duplication of these expenditures by the individual States. Another important consideration is the fact that this is a subject matter upon which actual costs are likely far to exceed initial estimates, if our experience with benefits of a similar character for a small part of our people, our war veterans and their dependents, means anything.

Senator KING. Or if the experience in other countries means anything.

Mr. REYMOND. I will come to the experience in other countries in just a moment.

The CHAIRMAN. Whom do you work for now, Mr. Reymond?

Mr. REYMOND. I have done work for many well-known companies.

Senator COUZENS. Will you name them, please?

Mr. REYMOND. A few of the companies that I have done work for are the Endicott-Johnson, the Eastman Kodak, General Motors, Western Electric, and a great many other smaller companies. However, I want to make it clear that I do not reflect the views of any one of these companies. I am presenting my own personal views.

Senator COUZENS. Are you under retainer from any of those companies now?

Mr. REYMOND. No, sir. The new taxes involved unquestionably mean a further increase in the overhead costs of business, and, as such, cannot but have a retarding influence on the reexpansion of business to absorb the existing unemployed. I submit to you the opinion that, just at the present time, the unnecessary misery and the continued demoralization of our people created by prolonging the existing unemployment would be likely to more than counterbalance the well-intentioned humanitarian benefits anticipated by the proponents of the present bill.

I also submit to you that it would be almost impossible to prevent benefits under this bill from going to many people who could get along without them. The inevitable result would be expensive relief. I submit the opinion that our duty at the present time is to provide for victims of the depression and other misfortunes in the most economical manner. There is no greater economic fallacy than the currently popular theory that the spending of money by Government, on old-age pensions or in any other way, tends to help business and relieve unemployment.

If this money is raised by taxing pay rolls or by taxing sales, the result is to prolong business stagnation and unemployment. If this money is raised by selling bonds the people who buy the bonds will spend that much less money on the investments they would otherwise have made in private industry.

Finally, I submit the opinion that I deplore the general philosophy of this bill of looking upon the problem of depression and unem-

ployment as a permanent problem, and of seeking to imitate what European countries have done with this problem. My thought is that we should be praying to be spared from the fate of European nations instead of trying to imitate them.

Senator KING. Well, we took that course the other day in dealing with the World Court bill.

Mr. REYMOND. Yes. However, that was not exactly an issue of imitating other countries. There were some other angles there. The condition of European peoples is anything but enviable or secure, economically or otherwise. I believe American ingenuity should be able to find a better solution to this problem than anything that any European country has yet found. If we in the United States continue to bungle this unemployment problem, as the European countries have bungled it for years, we may yet land in the deplorable condition that these countries appear to be drifting toward. Our own people, in their discouragement and desperation, may cast to the winds their hard-won political and industrial liberty of the past few centuries in the foolish hope that somehow this may bring us greater economic security. To my mind it would be one of the great tragedies of history if, because of a little lack of economic understanding, we also should drift into that same kind of condition.

Senator KING. Mr. Raymond, if I understand your thesis, it is this, That by spending money we cannot get back prosperity, we cannot get out of the depression.

Mr. REYMOND. That is correct.

Senator KING. And, secondly, that so long as we are maintaining the thesis of high wages and large expenditures, whereas in other countries wages are low, we cannot compete with the world, and we are going to lose our foreign trade and thereby retard the alleviation of the present condition?

Mr. REYMOND. Yes. The principal point I wish to make is that there are only two ways in which we can actually relieve the unemployment situation. We cannot do it by passing unemployment insurance legislation or by expending money on public works, or in any other way, or old-age pensions. The only way it can be done is either to reduce the wage and overhead costs in proportion to the drop of the natural level of prices, or to work on the other end of the financial factors which have caused price levels to drop, and bring them in relation to the overhead costs.

Senator COUZENS. Have you any program to accomplish that?

Mr. REYMOND. I have a very definite program.

Senator COUZENS. Are you going to state it to us?

Mr. REYMOND. I am afraid it would be out of order in connection with this bill. I would be glad to have an opportunity to do that. I was going to come to that in a moment.

In conclusion, I would like to make it clear that I am not criticizing what appears to me to be misdirected efforts to deal with the question of unemployment, without, on my part, having definitely in mind a better approach to the problem than that which I am criticizing.

I have shown what causes unemployment. I have shown how we have thus far largely made the situation worse instead of better by our misguided efforts. I have shown that the present bill has all the earmarks of being another misguided effort. And I have submitted a general formula by which to check any plan for relieving

unemployment, to find out whether it will actually contribute toward the desired result, namely: It must either (1) reduce wage and overhead costs, or (2) it must provide an efficient program for restoring and then stabilizing the general level of prices.

I now submit that the existing unemployment can be cured by either of these two alternative methods. I also submit that the present situation is so serious that we should be doing something in the direction of both of these methods.

I would suggest that the erroneous labor legislation of recent years that is retarding recovery from unemployment should be repealed, and I would suggest that the consideration of legislation like the present bill, that would further aggravate this unemployment problem, should be postponed until some future time.

I would like to go further than these suggestions. I would like to outline to you the principal thing that I believe should be done in order to efficiently and permanently cure the problem of unemployment. But I am afraid I cannot do this without departing from a discussion of the present bill. I would have to talk about the financial causes that made the general price level rapidly decline, beginning in 1929, and that made investment goods prices rapidly rise prior to 1929, and that, if they continue uncorrected, will plague us with similar rapid fluctuations in the general level of prices in the future. I would also have to describe in detail why our past efforts in this direction have been erroneous and futile, and also how future efforts can be made efficient and successful. I suppose I will have to await an opportune future time to submit these further suggestions, in connection with some other bill, perhaps. Just now I would be glad to go into any further discussion of the present bill that may be requested.

Senator KING. Speaking for myself, if you care to submit further observations respecting the curative policies, I would be glad to hear them now, or have you prepare a paper on that.

The CHAIRMAN. If you want to elaborate on that subject, you can do so and put it in the record.

Mr. REYMOND. All right; I will submit a written statement elaborating what I believe should be done.

The CHAIRMAN. I wish you would do it right away, because we are having these printed every day.

SUPPLEMENTARY STATEMENT BY M. H. REYMOND, BINGHAMTON, N. Y., INTRODUCED AT THE SUGGESTION OF THE COMMITTEE, DESCRIBING WHY OUR EFFORTS OF THE PAST 5 YEARS IN THE DIRECTION OF RESTORING AND THEN STABILIZING THE GENERAL PRICE LEVEL HAVE FAILED, AND DESCRIBING HOW IT IS BELIEVED THIS OBJECTIVE CAN BE EFFICIENTLY ATTAINED

WHY OUR EFFORTS OF THE PAST 5 YEARS HAVE FAILED

As has been shown, the only other logical approach to the problem of unemployment, aside from forcing costs down proportionately with existing prices, is to efficiently raise the general level of prices until it is again in balance with existing costs.

Any program to efficiently raise the general level of prices requires a thorough understanding of the complication of financial elements that caused this general level of prices to rapidly fall beginning in 1929. There is no better illustration of the confusion of thought among professional economists than the fact that many of these (so-called "conservatives" as well as so-called "progressives") have sought to restore the general level of prices by closing their eyes to these

financial elements, proceeding on the wishful theory that if they artificially raised costs of production they would automatically also raise the general price level. The fact of the matter is that if it is possible for the general level of prices to drop faster than costs, as occurred beginning in 1929, it is obvious that costs are not the controlling element. Under such circumstances, any increases in costs that may be forced in some peculiarly situated industries will be counterbalanced by a corresponding depression in prices in other industries. The general level of prices will not rise merely because of increased costs. Quite the contrary. It is therefore ridiculous to try to restore a depressed price level by raising costs. And yet this kind of shallow economic thinking regarding price control has had a large influence in molding our national policies since 1929.

Of a similar confused character is the theory, largely held among professional economists, that the general price level can efficiently be raised by spending money raised by bond issues, whether on public works, on subsidies to particular industries, on bonuses to war veterans, on pensions to the aged, or in any other way. Beginning in 1929, we have spent increasingly large sums of borrowed money on schemes of this kind. We have increased the debt of the Federal Government by some 15 billion dollars. The failure to produce the anticipated result appears to make no impression upon those who recommend schemes of this kind. Rather than admit an error in their theory, they are merely spurred on to demand bigger and more reckless expenditures. The economic fact, as pointed out in the early days of such schemes by less confused economists, is that for every dollar raised by bond issues and spent by the Government, a dollar is withdrawn from investment in and spending on private enterprises by the buyers of the Government bonds.

Some artificial-spending-to-raise-the-price-level theorists, thus brought around to realize the basic fallacy in their general theory, attempt to justify this theory on a different ground. They admit that if the Government bonds are bought by private investors the theory will fail of the desired result. But, they say, if the bonds are bought by banks and made the basis of national-bank notes, or Federal Reserve notes, or Federal Reserve credit, the result will be a rise in the general price level. To the extent that this modification of their original theory may actually have an inflationary influence upon the price level, it is not due to the artificial-spending programs which they recommend, but to the fact that our Government is giving banks the right to issue an approximation of fiat money (differing only in that a redemption out of taxes at a future time is contemplated). The result would be the same if our Government made no extraordinary expenditures whatever but used this method to pay for ordinary expenditures. Hence the artificial spending-to-raise the price-level theory is wholly an economic delusion.

This brings us to a consideration of the merits of permitting banks to issue currency backed by Government bonds as a device for raising the general price level (which is really an entirely different theory from the wholly fallacious spending-to-raise-the-price-level theory). This theory has been given a practical trial, beginning with enabling legislation in 1932 in the form of the Glass-Steagall Act and the Glass-Borah Amendment to the home-loan bank bill. It has failed to efficiently restore the general price level as anticipated. The reason is that banks have no use for the additional currency and credit thus made available to them unless they can find borrowers for this money. And people in general do not borrow money unless the condition of business in general is such as to promise a worthwhile profit over and above interest charges. On the other hand, when the general level of prices has been restored by other methods, if this enabling legislation isn't promptly repealed, it may have a positively injurious influence, carrying us into another and worse boom than the last, followed by another and worse depression.

Closely allied with the theory of raising prices by permitting banks to issue currency backed by interest-bearing Government obligations is the theory of raising prices by paying Government expenditures with ordinary fiat money printed for this purpose. This particular scheme hasn't yet been tried, but it has threatened us for some years and may ultimately be tried also. If issued in limited amount, such as proposed under the pending Patman bill, the effect would probably not be very different from the permission to banks to issue currency backed by Government bonds. The new currency would either pile up in banks as reserves or would displace a corresponding amount of Federal Reserve notes, increasing idle excess reserve credit. The immediate effect would not be to efficiently raise the price level as anticipated,

and the ultimate effect might be to help create another and worse boom than the last one.

If this fiat money theory were to take a more radical form, such as for example a proposal to pay old-age pensions of \$200 per month by printing money instead of by taxation, the general price level would unquestionably rise. But it would not be a healthy rise. It would be a sudden and uncontrollable rise that would go far beyond the point of restoring a proper balance with existing costs. Once started, even if further pensions were suddenly and cruelly cut off entirely, it would probably cost more to stop the rise in prices than it had cost to start it. Having already squandered our national credit, we would be unable to stop it if we wanted to, and the result would be a wild inflation, followed by another depression, and perhaps by a political upheaval as in Germany, leading no one knows where.

In an effort to avoid this kind of extreme inflation of prices, while at the same time trying to raise prices a moderate amount, the so-called Warren plan of dollar devaluation in terms of gold was given a trial. But, like so many other well-intentioned plans, this did not work out efficiently in practice, for the reason that it was not a sound theory to begin with. Its principal accomplishment was to aggravate the very thing that had caused the desire to reduce the gold content of the dollar in the first place, namely an artificially inflated value of gold due to withdrawal of large quantities of the metal from the open markets of the world into idle and unused public and private hoards. The Warren plan aggravated this situation by causing the United States to buy and withdraw into our idle hoard more and more gold at higher and higher prices. The result was to make free gold in the open markets of the world more and more valuable without materially influencing our domestic price level. Even the theory that lowering the gold content of the dollar would stimulate foreign buying in the United States by gold-standard countries proved to be largely fallacious. Between October 1933 and December 1934, we decreased the gold content of the dollar about 40 percent. Our domestic price level rose about 10 percent (including both consumer goods and investment goods). This left a net theoretical advantage of 30 percent to gold-standard countries as an inducement to buy in the United States. At the same time, by making gold artificially scarcer, we decreased prices in gold-standard countries, thus largely nullifying this theoretical advantage.

In France, between October 1933 and December 1934, the general price level dropped about 15 percent (including both consumer goods and investment goods). In addition, business in gold standard countries was so stagnated in consequence of the further decline in prices caused by our action as to largely nullify any inducement to buy goods from us. Furthermore, gold standard countries could and did restrict importations from the United States. All in all, the only influence of the Warren plan on our foreign trade was to temporarily subsidize exports over imports to the extent of the cost of the gold we actually imported. It remains to be seen whether we will ever be able to sell this imported gold at the price we paid for it. The chances are, overwhelmingly, that we won't. We boast about a paper profit of around \$3,000,000,000 in gold devaluation. Actually our Government is in the position of a market operator who has created a corner in gold, artificially skyrocketing the price. Any market operator, in wheat for example, knows that the paper profit he may show at the peak of a corner is not a real profit, because sooner or later he must liquidate his corner, in the process of which the price will inevitably be seriously depressed. Our Government is in a particularly vulnerable position in that some other countries also have substantial corners in gold, and if either we or they start liquidating a scramble to dump gold at any price may result that may demoralize the price entirely. To have our dollar anchored to gold at \$35 an ounce under such conditions would be to throw us into a wild inflationary boom followed by another severe depression. Perhaps the most fortunate thing that could happen to our Government in this situation would be if our Supreme Court should decide that, while our Government has the right to set aside gold contracts between parties within the United States on reasonably equitable grounds, it has no right to set aside gold contracts in which it is one of the contracting parties. This would enable the United States to liquidate its corner in gold by paying off holders of gold-clause bonds in actual gold, letting these holders take their chances on whether in the long run these contracts will be worth more or less than contracts in dollars. Except for this outlet for our gold hoard, world conditions may so shape themselves in the next few years that this hoard may not be worth 25 percent of its present value.

Substantially the same economic fallacy that exists in this gold-buying theory also exists in the silver-buying theory. The value of silver is artificially inflated. Falling prices and depression is being created in silver-standard countries, which incidentally isn't helping good will toward the United States. And we are building ourselves a corner in silver, showing a fictitious paper profit, that may ultimately prove to be a real loss.

Professor Warren and Professor Fisher, and others who have envisioned the ideal of a more stable unit of measure of value than gold or silver are absolutely right in their contention that a fixed weight of any precious metal will never provide a stable dollar or a stable general price level. The speculative hoarding and dumping possible in anything as limited in quantity as precious metal is bound to radically fluctuate its value. But they are wasting their time and jeopardizing their ideal in trying to devise ingenious schemes to build a sound and stable currency upon a base of precious metal. An entirely different method of attacking this problem is necessary if the ideal of a restored and then stabilized domestic general price level is to be converted into a practical realization. How this can be done will now be described.

AN IMMEDIATE PRACTICAL SOLUTION UNDER PRESENT CONDITIONS, THAT PERMITS LIVING UP TO GOLD CONTRACTS 100 PERCENT, THAT MEETS THE OBJECTIONS OF MONETARY CONSERVATIVES AND AT THE SAME TIME ACHIEVES THE IDEAL OF MONETARY LIBERALS, THAT INVOLVES NO CURTAILMENT OF LIBERTY IN INDIVIDUAL ENTERPRISE EITHER IN INDUSTRY OR BANKING, AND THAT INVOLVES NO FURTHER ELABORATE SPENDING OF BORROWED MONEY

As has been shown, the cause of unemployment is a rapid fall in the general level of prices, combined with a less rapid fall in wage and overhead costs. Such rapid falls in the general level of prices are inevitable under a gold standard (or any other precious metal standard), because individuals and governments cannot be prevented from periodically taking the notion to speculatively hoard gold, thereby inflating its value and causing prices based on gold to rapidly fall.

The first essential for efficiently restoring and then stabilizing the domestic price level is to once again cut the dollar loose entirely from any fixed weight of gold, in other words, to place it in the same condition as the British pound happens to be at the present time (not that the British pound is in any other respect a proper model for a restored and stabilized dollar). If the dollar is not permanently cut loose from gold, it cannot be stabilized in value, because it will continually be disturbed by the vasillations in gold speculation that sweep the world.

The next step in such a program is to properly take care of outstanding gold contracts. Whether or not the Supreme Court should decide that the Government has the right to change the terms of its own obligations payable in gold, it is submitted that it would be of advantage to the Government to pay interest and principal on these obligations, as due, in actual gold, thus providing an outlet for the otherwise speculatively dangerous corner in gold now held.

If the Supreme Court should hold that our Government has no right to abrogate gold contracts even when it is not one of the contracting parties, it is recommended that the Government immediately reverse the process by which it forced gold from \$20 per ounce to \$35 per ounce, selling gold at lower and lower prices until the price is once more down to \$20 per ounce or lower. The dollar being completely cut loose from gold, this procedure would have no influence whatever on the domestic price level. Thereafter the remaining gold in the Treasury could be applied to paying off Federal obligations payable in gold. In the meanwhile, it could serve as a gold reserve, to satisfy those people who like to feel that this idle gold reserve is there, just in case something goes wrong with the new monetary plans.

The next step recommended is to set up a new Government owned corporation, whose sole business shall be to efficiently restore and then stabilize the purchasing power of the dollar. This corporation would be empowered to issue currency. But it would not be permitted to issue fiat currency. Every dollar it issues must be backed 100 percent by basic wealth in liquid form that can be immediately sold if necessary to support the value of that currency. This corporation would issue such currency by buying such basic wealth whenever the domestic general price level was below normal, and vice versa. The basic wealth invested in must at all times comprise a reasonable cross-section of all wealth; otherwise the corporation would not be a sound institution. For

example, a central bank of issue such as has been proposed, intended to supply a currency of stable general purchasing power and to be operated along traditional central banking lines with investments in precious metal, governments, private paper and foreign exchange, would not be a sound institution. Sooner or later it would be forced to choose between tremendous losses or abandoning its dollar-stabilizing program. The ideal cross-section of basic wealth for a sound dollar-stabilization corporation would be the same items as used to determine the general level of prices; for example, 50 most heavily traded consumer goods of a certain kind, and 50 most heavily traded investment goods of a certain kind, both classes of goods being equally important in influencing business activity.

This dollar-stabilization corporation would really be of the nature of a Government-owned investment trust. It would differ from every other kind of an investment trust in that its outstanding obligations (currency instead of the usual common stock) would be kept stable in value by being issued or retired whenever this value departed from a specifically defined normal.

This corporation, at a time like the present, could be set up with a negligible initial working capital, and thereafter it would be profit making. It could be liquidated 100 percent at any time in the future that its utility might cease to exist, without loss.

This corporation need not interfere with existing outstanding currency, at least not at present. Ultimately all currency should be simplified and unified. By making the new currency interchangeable with all other forms of United States currency, its efficient stabilization would result in the stabilization of all other currency, provided no radical changes in other forms of currency were permitted. This new corporation would not interfere at all with the strictly banking functions of the Federal Reserve banks or other banks. Neither would it interfere in any way with the borrowing, refinancing, or other functions of the Treasury Department.

In the present situation this corporation would immediately start an efficient restoration of the domestic general price level by buying and withdrawing basic wealth from the markets. At the same time it would induce a healthy demand for bank loans to expand business enterprises in view of the improved prospects for business profits. This in turn would induce a healthy speculation in the direction of a restored price level, bringing this objective to a quick realization.

After the domestic general price level had thus been restored, and involuntary unemployment had been substantially eliminated, the problem would be likely to turn into one of preventing another boom, with its exorbitant business profits. The proposed dollar stabilization corporation would just as efficiently correct that kind of a condition by selling as much of its assets and retiring as much of its outstanding currency as necessary. Incidentally, this would involve a profit, because these assets would have been purchased at lower prices.

It is, of course, impossible in a brief description of this kind to cover every detail of organization and operation of this proposed dollar stabilization corporation. Such details, however, have largely been worked out, and it is believed that any questioning as to how this corporation might work out in practice under any particular set of conditions can be satisfactorily answered.

The CHAIRMAN. Mr. Frank L. Peckham, vice president Sentinels of the Republic.

STATEMENT OF FRANK L. PECKHAM, WASHINGTON, D. C., VICE PRESIDENT SENTINELS OF THE REPUBLIC

The CHAIRMAN. You represent the Sentinels of the Republic?

Mr. PECKHAM. Yes, Mr. Chairman.

The CHAIRMAN. What is that organization?

Mr. PECKHAM. That is an organization that was formed in 1922 and has been active ever since, in opposition to all measures that tend further and further to centralize power and responsibility in the Federal Government at Washington over various sorts of matters that primarily should not only be under the control of the States and local governments but for which those local governments are primarily responsible as well.

Senator COUZENS. Have you ever filed with the House of Representatives the amount of money that you have collected and the disbursements of it?

Mr. PECKHAM. I do not think we ever have, Senator.

Senator COUZENS. I see the Liberty League does, and other such propaganda organizations. I wonder why you do not submit a report to the Government.

Mr. PECKHAM. I do not know that we fall within the provisions of that act. I will admit, too, that we have never had enough money to justify making a report of it.

Senator COUZENS. How much money have you had?

Mr. PECKHAM. I do not know the exact dollars and cents, but we have had a comparatively small amount, based upon contributions of dues of 2 to 5 and 10 dollars of some four or five thousand people, at different times.

The CHAIRMAN. All over the country?

Mr. PECKHAM. All over the country.

Senator COUZENS. Is that your maximum contribution, \$10?

Mr. PECKHAM. I would judge so, although I personally have contributed more than that at times.

Senator COUZENS. Who are the officers of your organization?

Mr. PECKHAM. Mr. Alexander Lincoln, of Boston, Mass., is the president.

I am a lawyer of Washington, and the vice president.

Mr. William H. Coolidge, of Boston, is the treasurer.

Mrs. John Balch, of Milton, Mass., is the secretary.

Mr. Thomas F. Cadwalader, of Baltimore, Md., is the chairman of the executive committee.

Mr. Raymond Pitcairn, of Philadelphia, is the national chairman, and Mr. H. G. Torbert, of Washington, D. C., is executive secretary.

Senator COUZENS. Are you on a national retainer?

Mr. PECKHAM. No, Senator; I give my time and have since 1923 without remuneration, and have paid all of my own expenses.

Senator COUZENS. Do you know what the annual income has been in any 1 year?

Mr. PECKHAM. No; I do not. I mean I haven't the exact figures. I can probably get that and would be glad to put it in the record if you would like it, Senator.

The CHAIRMAN. All right, proceed, Mr. Peckham.

Mr. PECKHAM. Mr. Chairman, the statement that I have prepared here, while only part of it is directed at this present bill, expresses the philosophy behind our opposition to this measure, and if I might read it through I can do it in a very few minutes and it will serve to explain our opposition to everything after the enacting clause in the bill that is now before the committee.

The CHAIRMAN. Proceed.

Mr. PECKHAM. At our annual meeting in New York on January 26 this year we had this bill and similar measures under consideration, and we adopted this brief statement of our legislative policy as to these various measures.

Declaration adopted by Sentinels of the Republic at annual meeting held in New York, January 26, 1935.

The Sentinels of the Republic have consistently opposed the consolidation of government and the centralization of power so much dreaded by the long line of statesmen bred in the American traditions of liberty and self-government.

They have hitherto successfully opposed such measures in aid of bureaucracy and irresponsible government as the so-called "child" labor amendment which would give to Congress the power "to limit, regulate, and prohibit the labor of persons under 18 years of age." The very wording of this measure should be abhorrent to true Americans, and the fact that three-fourths of the States rejected it within 3 years after its proposal by Congress in 1924 confirms this judgment. A special committee of the American Bar Association, composed of distinguished lawyers, has announced its opinion that by the expiration of time rejection by the States has become final under the Constitution, and that the amendment could not now be validly ratified by State action alone, but that it would have to come to the States again as a new proposal from the Congress. Nevertheless, the attempt is being made to secure its ratification in many States which have repeatedly refused their assent. We protest against this unconstitutional effort to vitiate a Constitution dedicated to human liberty.

We recognize the extreme difficulty of the problems which the depression has brought upon our country and are in hearty sympathy with every effort made in good faith to restore public confidence, promote business recovery, and relieve suffering and want. But periods of emergency, as the Supreme Court has declared, do not justify a resort to measures by which power is assumed which is not granted by the Constitution or which do violence to the rights therein guaranteed, invading the reserved rights of the States to govern themselves in local matters, and tending to destroy the liberties of the citizen. Unfortunately, a large body of legislation of this character has already been proposed by Congress and now has to stand the practical tests of experience and of judicial interpretation or rejection. We must rely on the conscience and character of our courts, but we must also arouse the spirit of the people whose essential freedom is at stake.

New and equally startling proposals are, however, now before Congress, and on these we wish to record our definite judgment. The proposed appropriation of the astronomical sum of \$4,800,000,000 to be spent in the uncontrolled discretion of the President to make work for millions of the unemployed is fraught with so much risk, economic and social, that we demand that in any event this expenditure be safeguarded by a provision prohibiting its use in competition with private business enterprise. The wisdom of the expenditure must remain doubtful and the delegation of power is so unrestricted as to raise most serious objections. At least the purposes to which the money can be lawfully applied should be defined or the effect will be hardly distinguishable from the establishment of a dictatorship.

The proposed "social security" legislation, under which Congress, by so-called "Federal aid", will in effect subsidize or bribe the several States with the money of the taxpayers to adopt highly complex and experimental schemes of unemployment insurance, old-age pensions, help for mothers and infants, child welfare, and local public-health programs, presents in aggravated form the objections we long and successfully urged against less ambitious proposals and measures covering the same fields of purely local legislation. After a lengthy struggle we secured the repeal of the Sheppard-Towner Maternity Act, and we now are equally hostile to the principle therein embodied and now involved in the new program of social legislation. In a country so vast and diverse social reform can be wisely and successfully accomplished only by State or municipal legislation, which can easily be tested, repealed, or modified in accordance with local experience. Witness the successful abolition of child labor in industry by State laws, the adoption of workmen's compensation insurance in most of the industrial States, and the vast improvement in educational and public-health service, all under State legislation and administration and at the expense of the respective communities. The progress of social reform in the United States has been rapid and genuine under our system of community responsibility. It may easily become perverted by the meddling of an irresponsible directing bureaucracy. All these fields of State action involve private right and domestic problems, and were wisely withheld by the founders from Federal control. None of these matters involves recovery. The proposed Federal legislation is designed to be permanent, and if enacted will work a permanent and unwholesome dislocation of our scheme of government.

Congress has no power to legislate on these subjects. It can only, in fact, appropriate money for purposes for which it has no constitutional sanction to act at all. In so doing it will further weaken the sense of responsibility of the people, make confirmed beggars of our States and cities, and stimulate an unhealthy growth of doctrinaire schemes in place of the wholesome measures

which an aroused public conscience will enact when the need becomes evident.

We are strongly opposed to proposed amendments to the Constitution which would give Congress power to regulate hours and conditions of labor and to legislation proposing to limit hours and conditions of labor, which latter is without a vestige of constitutional support.

At our meeting in New York we also recorded our opposition to the scheme of embodying all sorts of social-welfare measures in one bill, such as has been done in the pending bill. We recommend and request that the several measures be separated and proposed in separate bills, so that each will be considered upon its own special merits and demerits.

Heretofore many so-called "Federal aid" measures, embodying the same vicious principles that appear in the pending bill, have been urged. Some have been adopted, others defeated. In all cases they have been supported by a plea that they were intended only to stimulate the States to put into effect social schemes proposed by lobbyists and bureaus in Washington.

As so often happens in the administration of stimulants, the constant dosage of the States with financial stimulant from the Federal Treasury has made of the States and local communities "stimulant addicts." The cumulative effect of "Federal-aid" legislation in the past has been that during the period of depression and now we find the States and cities lying like mendicants at the door of Congress, begging Federal alms, instead of going about the business of trying to solve their local problems in their own respective ways. And this, too, in spite of the fact that many of the States and communities will in the long run have to contribute to the Federal Treasury much more than they ever receive.

The CHAIRMAN. Thank you very much.

STATEMENT OF HUGO E. CZERWONKY, WASHINGTON, D. C.

The CHAIRMAN. Mr. Czerwonky, you represent yourself, I see.

Mr. CZERWONKY. I have been down here in Washington a year last November, and for the first part of my stay down here I was employed as senior materials engineer with the Agricultural Adjustment Administration, to make an engineering study of the problem of distribution.

Senator KING. Distribution of commodities?

Mr. CZERWONKY. Of everything, just the general problem itself. That may seem rather ridiculous, but that was the fact.

Senator KING. Just like some other problems suggested in other departments.

The CHAIRMAN. Are you in that work now?

Mr. CZERWONKY. No, sir; I am associated right now, just in the past week, with the National Monetary Conference, which has just been formed.

Senator KING. You mean the one that Senator Owen is connected with?

Mr. CZERWONKY. Yes, sir. I just want to explain briefly what my study involved. It involved, in the first place, a thorough-going analysis of our exchange methods, how the exchange of goods was facilitated, in an effort to find out where it broke down.

The CHAIRMAN. All right, Mr. Czerwonky, you may go ahead with your statement.

Mr. CZERWONKY. That was a theoretical study. Then immediately after that, at the suggestion of Mr. Baker, who is F. E. R. A., who stated to me at that time, "Hugo, you are not doing anything right now anyhow. Supposing you make a study of the self-help cooperative movement, and at the same time continue your study along those particular lines." So I began my assignment with the division of self-help cooperatives with but one thought in my mind. I began to make a thorough-going dispassionate, impartial study of how the exchange mechanism functioned.

After that assignment was completed last October I made some diagrams in which I pictorially attempted to show just how that exchange mechanism functioned and where it broke down. I have gone to considerable expense in doing that particular thing. The National Monetary Conference will possibly use it.

The CHAIRMAN. You may proceed to discuss the bill, Mr. Czerwonky.

Mr. CZERWONKY. The problem essentially is this; in discussing this problem we have to look at it in a most dispassionate way. I want the committee to understand I am 100 percent for social security.

The CHAIRMAN. Are you for this bill?

Mr. CZERWONKY. I just want to point out some assumptions in this bill. Those assumptions are very important. There are, of course, several schools of economic thinking—possibly some of you gentlemen never heard of the school of thinking on the question of economics as it applies to a nation. There was a school of thinking likewise who think in terms of economics as it applies to an individual. That school of thinking is represented in the thinking of Marshall. You gentlemen are possibly acquainted with Marshall. He defines economics as how an individual earns his income and how he spends it.

Senator KING. Some of us have read Marshall and John Stuart Mill.

Mr. CZERWONKY. And Adam Smith.

Senator KING. And Adam Smith and down to Mr. Dewey. We know them, so you need not assume that we do not know anything about national economics as well as individual economics.

Mr. CZERWONKY. The entire teaching of those textbooks represents the economics as it applies to an individual. There is an altogether new school of thought which is represented by Frederick Soddy, and which is represented likewise by Major Douglas, who are approaching this problem from the national viewpoint.

In other words, the problem, stating it briefly, is not how an individual earns his income and how he spends it, but how a nation earns its income and how it spends it. We are approaching the problem, you might say, from the dynamic standpoint. For instance, we do not define money as a medium of exchange, we look at it from a functional angle. Money is the medium for effecting the exchange of goods and services.

Senator KING. That means purchasing power really, doesn't it?

Mr. CZERWONKY. Dollars are normally used for buying goods. I bring that out in just a few words to point out to you that there are two distinct lines of approach.

This entire bill was approached, mind you, not from a viewpoint of whether unemployment insurance was sound. The objective in presenting this bill was to present a method by which reserves could be kept up.

Now the question that you gentlemen will have to decide, first of all, is this: These are the assumptions that are back of this bill, and you have to understand the monetary theory in order to grasp its significance. The assumption is that by selling the reserves for dollars that the depression will be broken, that bonds will be sold to people who would otherwise accumulate or hoard dollars. That is one of the big assumptions. Another one is that the reserves will be able to be disposed of for a price which is the base price inscribed thereon.

Now in setting up these unemployment reserves it must be remembered that as soon as the Treasury Department receives the dollars that are contributed by the manufacturers, or by the individuals, from the tax on their pay rolls, that those dollars have to be immediately disposed of. The Treasury Department no longer holds the dollars. As soon as it gets them in its possession it attempts to dispose of them. Now they can go out, you understand, and buy United States Government bonds. If they buy United States Government bonds, of course, the dollars are no longer in the Treasury Department.

If they hold the dollars—looking at our economic system in a functional manner—our economic system breaks down, because the dollars that are taken away from employers and from employees form part of the selling price of the goods that are for sale in the markets of the Nation.

If the reserves are in the form of United States bonds and a depression sets in, then unemployment takes place, and, of course, it is the function of the Treasury Department to dispose of those bonds. But I say it has to dispose of those bonds to those people who would not otherwise exercise claims to goods—in other words, people who would hoard dollars. To that extent can it assist a trifle to overcome some of the effect, but the primary cause of unemployment is unborn purchasing power. The dollars now are originating and the goods are accumulating in the markets of the Nation because the manufacturers cannot dispose of the goods profitably that they currently bring to the market. Manufacturers do not close their plants down willingly. They do that as a last resort. They reduce prices to the extreme. When they can no longer get cost, then they have to discharge their employees. The humanitarian factor has to temporarily be permitted to go by the boards, if you will, because it will break the concern otherwise.

Now you are bringing up in the House the Steagall bill, and this Steagall bill has a tremendous effect as applied to unemployment insurance. The Federal Reserve is going to resort to open-market operations. It is going to buy bonds and give dollars, or give reserves to the member banks for the bonds which they are now holding. The object of that particular method is to furnish the necessary dollars with which to pick up the goods that are for sale in the markets of the Nation.

In the open-market operation we are adding more dollars into the system, dollars that did not exist before. Now, to explain how that

procedure takes place will take a little time. I will not go into details, but the open-market operation, essentially, was the purchase by the Federal Reserve Board of bonds which are not claims to goods but are deferred claims to dollars, and exchanged for with dollars. They are new dollars that come into the system.

Now, if the Senate and House are going to pass the Steagall bill, its object then is to give us economic security by seeing to it that no clogging of goods in the markets takes place. The object is to overcome unemployment in that very process. So, if that procedure be followed, then there is no need for setting up unemployment reserves, because, in effect, the Government is going in and just buying the bonds and originating new dollars to take the place of the bonds which the parties hold. You are just needlessly punishing the community, the employers, and employees, in that process.

So, my reason for opposing the unemployment-insurance bill, if you will, is primarily this, that it does not get at the bottom of the thing. It just leads, you might say, to forced saving by the community, and that in itself does not create any new dollars when the depression takes place.

I have these diagrams, as I said before, but I cannot explain them very well in a few minutes.

Now, there are just a few things that I would like to mention in connection with the old-age security. That is a matter of prime importance. I believe you gentlemen will agree, though, that in any old-age security measure the attempt should be made to get as few elements in determining the eligibility of individuals in the measure as is possible. For instance, putting it this way, if we make a provision that a person just has to certify his age as 65, it is a simple bill, because then all the person has to do is provide his birth certificate, and there is absolutely no discrimination then. Most people can get those birth certificates, or can get data to substantiate their age.

Now, if we introduce other elements in the measures, for instance that the individual must not own property more than a certain amount, we introduce another element of confusion and another element of investigation. If we institute another one, that a person is only eligible providing he has no children who can support him, we institute another one of these provisions which amounts to an element of confusion.

Senator KING. You certainly do not think that the Government ought to pay benefits to a man who is worth a million dollars?

Mr. CZERWONKY. Now, let me get to that.

Senator KING. Can you answer that question?

Mr. CZERWONKY. I will come to that question, yes.

Senator KING. You are criticizing some of the provisions. You say it is the introduction of new factors and elements into the measure. Undoubtedly that is true, but do you think that a bill ought to be passed which provided that just as soon as you produced a birth certificate that stated you were 65 years of age you ought to get an old-age pension, although you might be worth a million dollars?

Mr. CZERWONKY. I think it is possible. Understand I am not recommending the immediate advocacy of old-age income assurance at this moment. My viewpoint is this, that we should get industry

running at full speed again, and after we get industry running at full speed, when our income is up to, we will say, \$89,000,000,000 or \$90,000,000,000, as it was in 1929. or if we go to a hundred billion, we can very easily tax away from the citizens a small part of their income and divert it, if you will, to our old people.

We think, if the Steagall bill goes through, we would have an agency for the first time in our economic system which will have the power to counteract the tendency of people to accumulate dollars through habit, which breaks up our system, because through the market operations it is going to neutralize the accumulation of dollars by individuals, and then, because we have the element of resistance, we can resort to a new type of taxation which previously was absolutely unsound, that is a general, graduated, manufacturers' sales tax on finished products, understand, and by that method divert to our old people a small amount of income.

The method of providing for old age by the investment method is sound when it is applied to an individual, but as far as providing any adequate income for old age to a nation, I believe it is not as practical.

There are 10½ million people in this Nation who are beyond the age of 60. If we desire to provide them with \$1,000 a year income, or taking \$1,200 for round figures per year, that would be \$100 a month; I am not advocating that large an amount, but if that was our intention, that would mean if there were 10,000,000 people who were eligible, \$12,000,000,000 would have to be provided for our old people per year. Now, \$12,000,000,000, figured at 6-percent interest, would mean we would have to have an investment of 200 billions of dollars from which we would get a return in order to provide for these old people.

Now, it is physically possible, with the equipment that we have today in our industrial plants, to turn out considerably more than the quantity of products that we turned out in 1929. The Brookings report, for instance, showed we could have produced at least 15 percent more, and that was basing it on the operation of our plants for 51 hours. It did not include, for instance, the operation of the machinery two shifts a day. So it is perfectly possible, with even the equipment we have today, to turn out a considerable quantity of goods in excess of what we did in 1929. The only reason we did not produce it this year is because the goods could not be profitably sold in the markets of the Nation.

The primary problem then is, as I say, to provide in such a way that everybody contributes, and in such a way, likewise, that does not have in it the element of pension.

The method proposed for providing income for people in old age should not be termed "an old-age pension plan." A pension is an allowance on account of past services or some meritorious work. It therefore comes very near to being a gift or an act of charity.

This system of graduating the general manufacturers' surtax is a system for providing for old age in which all people in the Nation contribute. It does not, however, require building up income-producing properties. It is a plan in which a prosperous and self-respecting people can concur. There is no charity motive behind it, nor a dependence on the Government for providing sustenance. As I say, it is a most sound and self-reliant method for a nation, what I

would call an old-age income assurance plan. It is not an assessment against manufacturers or merchants as an acknowledgment of underpayment of employees. It would be no burden to employers. It would be an income which is paid to all individuals, regardless of their income status—that answers your question, Senator—whether employed or unemployed, and regardless of what anybody makes per year. After all, looking at it from a national sense, no matter how rich you are, you can only enjoy a certain degree of goods, and we no longer are living in an era where we have to be so niggardly. Any class economics, any class legislation that way, would be absolutely unnecessary.

I do not know if I have made myself clear.

Senator KING. If you desire to submit any brief in further elaboration of your views it will be put in the record.

The clerk tells me that Mr. John Harrington, representing the Illinois Manufacturing Association, who is on the list of witnesses to appear this morning is unable to be present. A representative of Mr. Harrington has left with the clerk the statement which Mr. Harrington had intended to give to the committee on the pending bill. I am placing it in the record at this point.

STATEMENT OF JOHN HARRINGTON, OF FYFFE & CLARKE, GENERAL COUNSEL FOR THE ILLINOIS MANUFACTURERS ASSOCIATION, MADE TO THE SENATE COMMITTEE ON FINANCE

Mr. HARRINGTON. My name is John Harrington. I am a member of the firm of Fyffe & Clarke, attorneys, general counsel for the Illinois Manufacturers Association, of 120 South La Salle Street, Chicago.

I am appearing here as general counsel for the Illinois Manufacturers' Association to speak in opposition to S. 1130, "The Economic Security Act."

This bill would impose a direct tax upon everyone in the United States who pays any remuneration to any employee under the age of 60, excluding only governments and railroads.

The manufacturer, the storekeeper, the farmer, the housewife, and every other employer would be required by this bill to pay a direct tax if he or she employs anyone to do anything: even for a day.

If such an employer employs as many as 4 persons within each of 13 calendar weeks in a year, he must also be required to pay another tax under this bill.

Then, in addition, this bill would impose a direct tax upon the gross income of every one of the employees of every one of these employers.

There are several million employers, and probably 40,000,000 employees, who would be required by this bill to pay direct taxes based upon the amount of the pay roll, in the case of the employer, and based upon the amount of the pay envelop, in the case of the employee.

The amount of taxes involved under this bill might be expected to run up into the hundreds of millions of dollars, or even billions of dollars, annually.

The question arises, What use is to be made of the hundreds of millions of dollars of taxes thus to be paid under this bill by these millions of employers and tens of millions of employees?

These taxes are not to be used to relieve the present unemployment situation.

They are not to be used to relieve the present difficulties of those now unemployed.

These taxes are to be used to build up funds in the public treasuries with which to pay annuities of doubtful value to the aged after 1942 and with which to pay unemployment benefits of doubtful value to those ordinarily regularly employed but temporarily unemployed some years in the future.

Under this bill, no annuities are payable to the aged until 1942 out of the old-age fund into which a part of these taxes go.

As to unemployment compensation, which is the purpose of the balance of these taxes, I quote from the Report of the President's Committee on Economic Security as it appears on page 561 of the Congressional Record:

Unemployment compensation, as we conceive it, is a front line of defense, especially valuable for those who are ordinarily steadily employed but beneficial also in maintaining purchasing power in depression time. While it will not directly benefit those now unemployed until they are reabsorbed in industry, it should be instituted at the earliest possible date to increase the security of all who are employed.

When I say that these funds are to be accumulated for the payment of annuities and benefits of doubtful value, I mean that we cannot know what will be the value of the dollars paid in now when they come out some years from now.

We merely know that the purchasing value of the dollar does vary materially from time to time.

The organization I represent here consists of some 2,500 manufacturers doing business in Illinois.

As employers, these manufacturers—no matter how small or how weak—would be required to pay the taxes imposed upon employers by this bill.

The burden of these taxes would ultimately be made to fall upon the consumer, rich and poor alike, in the price he would pay for everything he might buy—whether a jewel or a loaf of bread.

But, until the adjustments would take place through which these taxes would be shifted to the consumer—they would be paid out of the depleted cash-working capital of these manufacturers.

I would estimate that fully 50 percent in number of the manufacturers in Illinois are today reduced to a hand-to-mouth basis as regards cash-working capital.

I would estimate that 50 percent of the manufacturers in Illinois today must worry about whether they can meet their pay rolls at all, 30 days from today.

The rigors of the depression have so depleted the working capital of these weaker manufacturers that it may be said, generally, that their plants, machinery, and, in many cases, even the design of their products, have been seriously attacked by obsolescence; their efficiency in production affected, and their business strength, generally, sapped and reduced.

The reduced condition of a great portion of the manufacturers in the country has been recognized by the Government and it has made an effort to work out Government loans through the R. F. C. to provide working capital to these weaker concerns so that they might continue to employ those who they have employed and do their part in reemploying those who are now unemployed.

But the Government has found, I believe, that most of these concerns are so weak that they are not fit credit risks for the lending of Government money, with the result that comparatively few such loans have been made.

These taxes on these manufacturers would come out of their depleted cash working capital.

For 1936 the taxes would be at least 1 percent of their total pay rolls.

For 1937 the taxes would be at least $1\frac{1}{2}$ percent of their total pay rolls.

For 1938 the taxes would be at least $3\frac{1}{2}$ percent of their total pay rolls.

Every 5 years after 1937, the rate would be increased, until ultimately it would take at least $5\frac{1}{2}$ percent of the total pay rolls of these manufacturers each year.

I say "at least" these percentages of these pay rolls because these are the minimum rates—and, under the State systems called for by this bill, the States may be expected to increase the total rate beyond these minimum rates.

I doubt very much if the average small manufacturer in Illinois has cash working capital of his own much greater than 10 percent of his annual pay roll.

Many of the larger manufacturers in Illinois are not much better off in this respect.

The small remaining cash working capital of these manufacturers, following the rigors of the depression, is today their very lifeblood.

Through the years of the depression they have fought a life-and-death battle to maintain their working capital. If it is further seriously impaired, these manufacturers must give up—and when these manufacturers give up, the thousands of employees they have kept and are keeping off the unemployed list must give up also.

We believe that nothing could be conceived more certain to increase today's unemployment than the taxing away of the depleted cash working capital of the weaker employers of this country.

The small manufacturer in this country is a much greater factor—weak as he may be—than many realize.

For example, it is said that more than 53 percent of all working capital invested in the manufacturing industry in the United States is invested in concerns with less than \$50,000 invested capital each.

It is one thing for a statistician to take $3\frac{1}{2}$ percent of all pay rolls and compare it with the aggregate working capital of all employers.

It is quite another thing to take $3\frac{1}{2}$ percent of the pay roll of the ordinary smaller and weaker employer and compare it with his cash working capital.

It must be borne in mind, when considering who, in the beginning, must bear the burden of these taxes, that where the strong well-financed competitor does not see fit to pass these taxes on to the con-

sumer, the weak and poorly financed competitor cannot pass these taxes on to the consumer. He must pay them out of his depleted cash working capital.

Some might say that if he is weak and poorly financed, he should be put out of business—put out of his misery, anyway.

But if we put any great proportion of the weak, poorly financed employers of this country out of business, we will put a great proportion of the people who are now employed out of jobs.

We believe that this measure, if adopted, means at best an annuity of doubtful value for the aged of the future and unemployment benefit of doubtful value for the normally temporarily unemployed of the future—at the terrific cost of retarding the reemployment of those who are unemployed today.

What I have said may be considered in the nature of a special plea in behalf of the smaller and weaker employer.

I believe, however, that a similar plea might well be made for the weak and poorly financed employees of the country—the 30 million or more who are about to have a gross-income tax placed upon them. They may very well question whether the dollars to be taxed out of their pay envelopes by this bill are not worth more to them now than will be the dollars they may possibly get sometime in the future in the form of old-age annuities after they are 65 years old.

I believe that a similar plea might well be made for the 140 million consumers of the country who will ultimately be called upon to pay the cost of this entire scheme through the increased prices they must pay.

As to the consumer, I cannot see but that ultimately this bill involves the equivalent of a general sales tax of hundreds of millions of dollars each year—not for the general purposes of the Government, but for special purposes.

We believe that this is a most inopportune time to institute a program of taxation for social insurance for the future.

As to what should be done ultimately, we agree with the conclusion of the National Industrial Conference Board in its recent publication on unemployment insurance where, under the heading “Lessons from British Experience”, it states:

If unemployment insurance is not based on an accurate knowledge of the facts of unemployment, it will be abused both by workers and by employers.

In the United States reliable information concerning the extent and nature of unemployment is almost totally lacking. Before any compulsory scheme of unemployment relief is adopted it is necessary, therefore, to establish, under Government auspices, a fact-finding body, composed of representatives of labor, industry, State and local governments, and the general public. The task of this body would be to make a thorough survey of the facts of unemployment, its nature and extent, to hold hearings and accept testimony from interested groups and persons throughout the United States, to give wide publicity to its findings, and to make recommendations for action by industry and by the legislatures. The results of such a survey would be of inestimable value in acquainting public opinion and the public representatives with the problems that arise in connection with an attempt to provide security against unemployment.

Senator KING. The committee will adjourn until Monday morning at 10 o'clock.

(Whereupon, at the hour of 12:30 p. m., the committee recessed until Monday, Feb. 11, 1935, at 10 a. m.)



ECONOMIC SECURITY ACT

HEARINGS

BEFORE

THE COMMITTEE ON FINANCE UNITED STATES SENATE

SEVENTY-FOURTH CONGRESS

FIRST SESSION

ON

S. 1130

A BILL TO ALLEVIATE THE HAZARDS OF OLD AGE
UNEMPLOYMENT, ILLNESS, AND DEPENDENCY,
TO ESTABLISH A SOCIAL INSURANCE BOARD
IN THE DEPARTMENT OF LABOR, TO
RAISE REVENUE, AND FOR
OTHER PURPOSES

PART 9

FEBRUARY 11 AND 12, 1935



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ECONOMIC SECURITY ACT

MONDAY, FEBRUARY 11, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The committee will come to order. Dr. McCormack.

STATEMENT OF DR. A. T. McCORMACK, COMMISSIONER STATE BOARD OF HEALTH, LOUISVILLE, KY.

Dr. McCORMACK. Mr. Chairman, I am the commissioner of health of the State of Kentucky, and in addition to that I am the ranking member of the committee on Federal relations of the Conference of State, Local, and Federal Health Authorities of the United States. Dr. Bishop, our chairman, has just resigned to become the medical director of the Tennessee Valley, and I have become the ranking member.

For a great many years, of course, we have been considering the relationship between an organized Federal, State, and local health service. We are here very strongly to support titles VII and VIII in this bill. The thought is sometimes expressed that it would be far better if we could concentrate in one agency of the Federal Government all of its public-health activities. Naturally, if we could do it that way, it would be the best way to do it; but we find ourselves in an operation with 23 bureaus of public health in regard to public-health activities regarding meat inspection, food and drug inspection, vital statistics, and many other things.

There is comparatively little difficulty in our making our contacts up here, because we know the problem we want to present. We find fine cooperation from these permanent bureaus of the Government. They are built wisely, they understand their functions, and they understand the rights of the States, and very rarely do we have even a temporary conflict with them.

In connection with the Children's Bureau we have annually submitted our plans. They varied, naturally, from State to State, because the problem of child health, while there are many things in common about it, in Mississippi, Kentucky, and Arkansas, which are purely rural States—there is a very considerable difference as compared with Washington, Oregon, or Idaho, which are equally rural States; and then the industrial States of Massachusetts, New Jersey, and New York—the plans differ very considerably there.

Now we found wise and considerate advisers in those with whom we came in contact. They would make suggestions; but so far as

we were concerned, except in one or two instances where they should have done so, there were no orders issued, but we found real cooperation from them. We have done exactly the same thing in regard to public-health service.

Now we need this thing tremendously. We have more county health departments in Kentucky than in any other State, and we would have had none of them had it not been for either Federal or other outside assistance, such as from the International Health Board of the Rockefeller Foundation and other foundations that have assisted us. It is difficult enough to create new agencies in the Federal or State Government, but it is equally difficult to do progressive things in local communities, because all their money has already been used.

I do not think that the money has been used very wisely. In your State and mine they have been in the habit of buying disease for a number of years, and it has been a very expensive and extravagant investment. It is difficult for them to realize that spending fewer dollars then can get good health in an organized way, and get increased efficiency per unit. We have accomplished that purpose in this work.

I would like to call the committee's attention especially to the importance of the section in regard to crippled children in this bill. For the past 8 years we have done a great deal of work in Kentucky in this respect. It has been done largely under the leadership of former Senator Williamson, who has been chairman of the commission for many years. The legislature has made as large an appropriation as it was possible for it to do for the purpose, and yet we know that they have been able to handle about 33⅓ percent of the crippled children of the number that they could have handled had they had a larger income. We have the hospitals and we have the facilities for the handling of the children, so we just need the money for their maintenance.

We come to you feeling particularly strong on this matter. Our orthopedic surgeons have never received a dollar for any service they rendered to the crippled children in correcting these defects. The charge is for maintenance and the follow-up treatment afterward. We feel this is a particularly effective part of the section.

We are also very strongly in favor of the mothers' aid, because we feel that mothers need this assistance tremendously in many parts of our State and in the other agricultural States. The largest tax that is being paid by the people of our local districts in Kentucky, and in the South and West, is the tax that comes from ill-health and from unnecessary and avoidable poverty. We feel very strongly in support of the administration's program in this reconstructive measure that is before you.

SENATOR BARKLEY. Doctor, do you think the bill as it is written, so far as the title in which you are interested is concerned, substantially covers the requirements and the need?

DR. MCCORMACK. Yes, sir. From both the Children's Bureau and Public Health Service there have been suggestions of mere words in corrections, in perfecting the text, but there isn't any change in the principle. It is ideal. It is not a matter of so much importance as to the number of agencies here, but you cannot multiply agencies in Elliott County, because there are only a small number of people

capable of the kind of leadership necessary to do these jobs in a rural county, and there is only a small amount of money to pay for the work that is done in the rural county. The work must be concentrated there, and it is too complicated, it would seem to somebody that is analyzing the whole situation in a Federal and State government; so it is simply a matter for the man in the home who wants to get his advice from somebody, and instead of having a retail store that he can go to, he wants it to be a department store so he can get all his welfare advice from the same place, because he does not know the difference—he does not know what health advice is, and so forth.

Senator BARKLEY. If all the counties in all the States take advantage of the rural sanitation and health features of this bill, in the same proportion as in Kentucky, would the amount provided be sufficient?

Dr. McCORMACK. No; the amount provided would not be sufficient. This is a real start in the right direction. It would take more than this to accomplish the purposes of the bill in all of the counties and cities of the United States, but in all probability this bill provides for enough, because it is going to be necessary to qualify the personnel in order to make the bill effective as there are not enough health officers and public-health nurses in the United States to provide one for every county in the United States by tomorrow. It has got to be done gradually, and I think for that reason the amount provided in the bill is ample for the purpose of stimulation. In the larger and wealthier counties stimulation will be all that will be necessary in the furnishing of trained personnel.

The CHAIRMAN. Thank you very much, Doctor. Dr. Grulee.

**STATEMENT OF DR. CLIFFORD G. GRULEE, EVANSTON, ILL.,
PROFESSOR OF PEDIATRICS, RUSH MEDICAL COLLEGE,
CHICAGO**

The CHAIRMAN. Doctor, will you, for the benefit of the record' give your business and where you are from?

Dr. GRULEE. I am professor and head of the Department of Pediatrics of Rush Medical College, Chicago, and Secretary of the American Academy Pediatrics Association.

I should like to ask that there go in the record as an approval of this part of the bill, the maternal and child-health portion, the following names:

Dr. William Palmer Lucas, professor of pediatrics, University of California, San Francisco, Calif.; Dr. Warren R. Sisson, assistant professor of pediatrics, Harvard Medical School, Boston, Mass.; Dr. Borden S. Veeder, president American Pediatric Society, and clinical professor of pediatrics, Washington University School of Medicine, St. Louis, Mo.; Dr. Lawrence T. Royster, professor of pediatrics, University of Virginia, University, Va.; Dr. A. Graeme Mitchell, professor of pediatrics, University of Cincinnati, Cincinnati, Ohio; Dr. B. E. Bonar, member of the State Board of Health, Salt Lake City, Utah; Dr. Hugh McCulloch, associate professor of pediatrics, Washington University, St. Louis, Mo., and also secretary of American Pediatric Society; Dr. Philip F. Barbour, professor of pediatrics, University of Louisville, Louisville, Ky.; Dr. Hugh Leslie Moore, professor of pediatrics, Baylor University, Dallas, Tex.;

Dr. Joseph Stokes, Jr., professor of pediatrics, University of Pennsylvania, Philadelphia, Pa.; Dr. Vivian Tappan, Tucson, Ariz.; Dr. F. P. Gengenbach, professor of pediatrics, University of Colorado, Denver, Colo.; Dr. Morgan Smith, professor of pediatrics, University of Arkansas, Little Rock, Ark.; Dr. J. B. Bilderback, professor of pediatrics, University of Oregon, Portland, Oreg.; Dr. Oscar M. Schloss, formerly professor of pediatrics, Cornell University Medical School, New York, N. Y.; Dr. O. N. Torian, professor of pediatrics, Indiana University, Indianapolis, Ind.; Dr. E. A. Park, professor of pediatrics, Johns Hopkins University, Baltimore, Md.; Dr. Harold C. Stuart, assistant professor of child hygiene, Harvard School of Public Health, Boston, Mass.; Dr. E. C. Mitchell, professor of pediatrics, University of Tennessee, chairman, region 2, Academy of Pediatrics, Memphis, Tenn.; Dr. Kenneth D. Blackfan, professor of pediatrics, Harvard Medical School, Boston, Mass.; Dr. Thomas B. Cooley, president, American Academy of Pediatrics, 1728 Seminole Avenue, Detroit, Mich.; Dr. Richard M. Smith, professor of child hygiene, Harvard School of Public Health, Boston, Mass.; Dr. Leroy A. Calkins, Department of gynecology and obstetrics, School of Medicine, University of Kansas, Kansas City, Mo.; Dr. Rudolph W. Holmes, professor of obstetrics, Northwestern University Medical School, Chicago, Ill.; Dr. Alice N. Pickett, associate professor of obstetrics, University of Louisville, Louisville, Ky.

Senator BARKLEY. Doctor, do you mean the names that you have just filed are the names of those for whom you are speaking?

Dr. GRULEE. Their report is here; yes, sir.

Senator BARKLEY. In those telegrams and letters?

Dr. GRULEE. Yes.

Senator BARKLEY. It is just a general approval?

Dr. GRULEE. Yes, sir; it is an approval of the section on maternal and child health.

I take it that you are interested in this from two standpoints. First, the standpoint of whether there is need; and, second, from the standpoint of whether or not it is feasible to carry this out and what chance there is of success..

Now, as to the need for this, I think that has already been shown to you and I shall not take up the time in expatiating on that. As to the question of success, it should be mentioned that there are two types of public-health work. One is the public-health measures of a general nature; the other is public-health measures which are directed toward the individual.

The public-health measures of a general nature have to do with food, milk supply, and so forth, and often these, in the rural districts of this country, are not properly attended to. I have gone several times to the southern part of Illinois and the southern part of Indiana and I found more bone tuberculosis in those regions in a day than I found in a month or year in Chicago. The reason, I think, is that they are not alive to the fact that bone tuberculosis is largely a result of infected milk. If there are laws for pasteurizing, they are not properly followed up.

Several years ago, in about 1925, we started in Chicago what is known as the "Infants Welfare Society." This was an outgrowth of what had been termed the "Medical Milk Commission." The Medical Milk Commission simply saw that the children got good

milk. We did not reduce the mortality of those children one iota by those means when we used to put the milk up in bottles and gave it to the children at wholesale, depending on their age and weight; but with the advent of stations and individual attention of the doctor and nurse to that child, the death rate has reduced so that now in the city of Chicago the death rate compares very favorably with the death rate of any other large city of the country. It seems to me that this speaks volumes for the necessity of individual physicians in this sort of work, and that is what I am interested in.

It seems to me that this bill presupposes the cooperation of the medical profession—the medical groups—in working out the health of the child. Yesterday all day I sat in with a group of men drawn from as distant points as New Jersey, and we discussed what means we could take to further the health of the child throughout the Nation. This is only one of the things which is being done, but it is an important one and will help materially. The big thing is to have the cooperation of all the various agencies, which we are trying to get.

Senator BARKLEY. Does that complete your statement?

Dr. GRULEE. Yes, sir.

Senator BARKLEY. Does anybody want to ask the doctor any questions? Thank you very much Doctor. Doctor Lyon.

STATEMENT OF DR. GEORGE M. LYON, HUNTINGTON, W. VA.

Dr. LYON. My name is George M. Lyon, of Huntington, W. Va. I am a physician in private practice.

Senator BARKLEY. Do you speak for anybody besides yourself?

Dr. LYON. Just personally. I am appearing this morning because of my interest in child-welfare work. My work is very largely confined to dealing with children, and dealing with children who are not in the fortunate urban circumstances that most of my eastern friends can administer to their children, but in the rural type of communities that are so familiar to those of you who are from Kentucky.

Now my remarks, while directed mainly at West Virginia, cover the mountain districts of the eastern section of the United States.

We have two specific types of needs in these counties that cannot be shown so well statistically as they can by means of actual observation.

West Virginia and the mountainous section of the southeastern United States have problems in the protection of maternal and child health which are peculiar to the geographic and industrial endowment to be found therein.

On the basis of differences in needs, the mountain counties may be divided into two types: (1) Those with coal mining and characterized by a local congestion of population, and (2) those with no mining and characterized by an actual sparsity of population.

In those nonurban districts where between steep hillsides on the narrow bottom lands the population is concentrated, diarrheal diseases constitute the major preventable hazard to child health. In the sparsely populated rural mountain districts this is not the case and poor socio-economic status combine to provide the major barrier to maternal and child-health protection. Some counties present mixtures of both extremes. Others have little or none of these handicaps. Lack of understanding of health protection, whether for the mother

or child, is pretty generally common in all rural sections of West Virginia and other mountainous States.

The prevalence of bacillary dysentery and other forms of infectious diarrhea in the coal fields and adjoining counties accounts for the high diarrheal rates. The spread of these and other communicable diseases is favored by this intimate grouping of the population accompanied as it is by a lack of proper sanitation within the community. From 40 percent to 80 percent of the children in one typical urban community were observed to have bacillary dysentery before they were of school age.

In West Virginia diarrheal diseases account for 25 percent of all deaths under 6 years.

For the decade 1923-32, for babies under 2, the average annual toll from diarrhea alone was 1,060 deaths.

Between 1926 and 1931, with the exception of New Mexico and Arizona, West Virginia maintained the highest infant diarrheal death rate reported in the United States.

During the same period, Logan County, an important mining county, reported 128 diarrheal deaths per 100,000 population per year under 2 years.

This was twice that for the State of West Virginia, 6 times that for the country at large, and 25 times that reported by Oregon and Washington for the same period.

During 1930 West Virginia's diarrheal death rate was nearly 3 times that for the country at large and 15 times the lowest rate reported.

The proximity to these dysentery ridden regions explains why, in 1933, the infant mortality rate reported for Charleston, W. Va., was eight and one-half times, and that for Huntington, W. Va., five and one-half times the rate reported for Newton, Mass., or Berkeley, Calif.

While the infant mortality rate for West Virginia is but little higher than that for the States adjoining it, its diarrheal death rate is twice that of Maryland and three times that of Virginia, Kentucky, Ohio, or Pennsylvania. This is all the more remarkable when we recall that 7 percent of West Virginia's population is colored.

These comparisons set out clearly the major problems of child-health protection in West Virginia. My own experience in other States, in districts which are geographically and industrially similar, leads me to believe that similar conditions exist there, differing perhaps only in degree. Relief from this serious condition can come only with the institution of more adequate community sanitation and even this must be accompanied by the development of a real appreciation and a better practical acceptance of adequate preventive health measures by the individuals, the industries, and the public officials of the section.

In the rugged nonmining rural sections in accessibility and poor socio-economic status combine to present a totally different problem and one perhaps less easy of solution. It is one related primarily to "distribution", or local availability, of medical and health protection services. The general lack of understanding of health protection further augments the problem. Physicians simply cannot make a living in these sections because the livelihood of the individual home maker is so meager and the dispersion of population so great and the

ability to go from one home to another so runabout and tedious of accomplishment that a livelihood from the practice of medicine here is a physical impossibility.

Families living on improved roads, of which West Virginia has many of the finest, do not have as a rule such difficulties in regard to inaccessibility. In other sections the inaccessibility is one of major importance only in the wintertime. An unfortunate socio-economic status is pretty generally observed.

Just as the unit cost of highway construction in these mountainous sections is excessive, so is the unit cost of providing even minimal health protection and medical services to the people in these sections. To them at the moment, preventive health work is entirely, and essential medical service almost entirely, not available.

It is easy to visualize the immensity of the maternal welfare problem among these people when one realizes that in five counties in 1933, with a total of 2,500 live births reported, only 1,250 or one-half, were attended at delivery by a physician.

The difficulties of contact, and particularly those of maintaining continuity of contact, with families in need of maternal and child health protection and medical services make this inaccessibility a problem of fundamental importance. It, together with the lack of a profitable industry and constant low-socio-economic and educational status, does not make for a sense of security or equanimity among these people. Whether it be the expectant mother, the delirious child, or the little cripple, all are vitally handicapped by this inaccessibility. Mental hygiene and social adjustment are similarly handicapped.

The local governments as represented generally by the county are so poor they are essentially helpless in these matters. For the State of West Virginia the load is so excessive and the cost of correction would be so great, it is impossible for the State to correct the unfortunate conditions to be found in its own counties. Unless stimulation to a greater local and State responsibility can be provided, and unless help can come from some outside source the present conditions will continue or perhaps get worse. These sections need help and the need is acute and extensive. Official and nonofficial agencies will be stimulated to local activity through the medium proposed in this bill, particularly true would this be of industries, an important and effective agency in this program. Some coal companies have already shown how they reduce infant mortality in their camps. The proposed bill offers chance for help.

It is interesting to note that the State of West Virginia has developed its program for the crippled child in a splendid manner, with far-reaching results. No other phase of child welfare has been advanced to a corresponding degree. The annual appropriation from the State of West Virginia for the division of crippled has for some years been essentially the same as that for the entire State department of public health.

The proposed program of maternal and child-health protection which could be made possible by this bill can contribute to the development of a social security (1) by assisting the laymen to reliable sources of material on maternal and child-health protection; (2) by providing post-graduate instruction for those physicians and nurses who are in need of such and who can thereby contribute to the social

security of the community; and (3) by developing cooperative programs and maternal and child-health protection and nursing service in which will be utilized the facilities of the organized groups of the professions locally; and (4) by the furtherance of that important and necessary interrelationship with the public-health program; (5) by an appropriate and enlarged consultation service in regard to State and local programs of maternal and child-health protection; (6) and by suitable demonstration in States where particularly needed. Such would do more to increase the effectiveness of the program and thereby promote social security.

SENATOR CONNALLY. In the coal-mining areas do not the companies have doctors?

DR. LYON. They do. That presents a splendid opportunity for maternal-health and child-welfare activities, when the industries can be solicited and made acquainted with the attitude of maternal and child-health protection in other communities.

I have a summary of the report of Drs. J. Bloss, E. Humphrey, and G. Ratcliff, after a study of prenatal and maternal care in West Virginia.

There is a profound lack of interest in and knowledge of the importance of proper prenatal and maternal care in the State of West Virginia. In the opinion of this committee there are three obstacles which obstruct all effort to promote a properly organized prenatal and natal clinic.

- (1) Absence of a medical teaching center in the State.
- (2) Lack of funds both State and local, to provide for hospitalization of needy maternity cases.
- (3) Lack of proper education of the general public as to the value of a preventive program in maternal care.

SUMMARY

1. The laity do not appreciate the importance of obstetrics.
2. The physicians themselves are not interested in the subject of obstetrics.

There seems to be a determined effort on the part of the majority of the profession not to give prenatal or postnatal care unless it is reparative surgery for injuries following previous confinements. Not only this but a determination also to belittle the efforts of those physicians who do appreciate the importance of these efforts, and who are preaching and practicing prenatal and postnatal care.

RECOMMENDATIONS

Determined effort be made to educate the laity through talks before various clubs (for men as well as for women) to show importance of obstetric care. The great value of and need for prenatal care. Teach them to demand a type of obstetric service of the same skill and ability that they do of their appendectomist, tonsillectomist, or salpingectomist and pay him accordingly. Stimulation and education of physician in his own section in obstetrics by practical instruction.

Now, as has been said before, the need has been pretty clearly set out. I had hoped today, to set out the need particularly in the rural mountainous section of our Eastern and Southern States where we have labored under a considerable inequality of opportunity for the welfare of the child and maternal health protection.

SENATOR LONERGAN. Doctor, do you have any difficulty in getting medical men to locate in agricultural areas?

DR. LYON. Very much indeed. There is a terrific need for getting them there, because our agricultural sections are, on the whole, rather poor, from the standpoint of supporting the attendants of the people who live there.

SENATOR LONERGAN. Has the State itself offered any inducement to doctors to locate in those sections?

Dr. LYON. I do not believe they have every thought of that. I think it will be a long, long time before our own State does that.

Senator LONERGAN. Has the legislature ever dealt with the problem of setting up what we will call the "medical relief sections" in the different counties?

Dr. LYON. Not until the Relief Administration came in. Now, of course, with the F. E. R. A., they are doing something of that sort that is rather commendable.

Senator LONERGAN. So the State has been depending entirely upon the Federal Government to do this work?

Dr. LYON. I should say too much so.

Senator LONERGAN. Thank you.

Senator BARKLEY. Dr. Reiss.

STATEMENT OF DR. OSCAR REISS, LOS ANGELES, CALIF.,

Dr. REISS. My name is Oscar Reiss. I live in Los Angeles, Calif., and I am representing myself. I am associate professor of pediatrics, University of Southern California Medical School, and chief of the pediatric department of the Los Angeles General Hospital.

I have come 3,000 miles to say just this brief thing. Strange as it may sound from the lips of a southern Californian, our climate alone is not an antidote for proper prenatal and postnatal care.

Senator BARKLEY. Doctor, do you think you better go home after making that statement?

Dr. REISS. Well, I do not know. I thought perhaps I would say nothing more than that. and still there is a real significance to that statement. I might point out that up to 1929, with the help and stimulation of a Government subsidy, the State supplied a little more than an equal amount of money for this field of work, and under the stimulus of that sum they continued on their own, until in 1934 the amount that they have given has diminished to about \$12,000 and they are now again in dire need of a further stimulus from the Government.

Senator CONNOLLY. Doctor, are you in private practice or are you connected with some hospital there?

Dr. REISS. I am both. I give part of my time voluntarily to teaching and to the care of the mendicants in the County Hospital, and the rest of my time supposedly for remuneration in private practice.

Senator BARKLEY. How long have you been connected with the University of Southern California?

Dr. REISS. Since the inception of the medical school.

Senator BARKLEY. Are there any other questions?

Senator CONNOLLY. That is a denominational school?

Dr. REISS. It is a Methodist school.

Senator CONNOLLY. There are two institutions in Los Angeles, the University of Southern California and the University of California, Southern?

Dr. REISS. The southern branch.

Senator CONNOLLY. The southern branch; yes.

Dr. REISS. There is no medical school in connection with that in Los Angeles.

Senator BARKLEY. Thank you very much, Doctor.

**STATEMENT OF MRS. JAMES H. WOLFE, WASHINGTON, D. C.,
ACTING DIRECTOR, WOMEN'S DIVISION, DEMOCRATIC COM-
MITTEE**

Senator BARKLEY. Give your name and residence and whom you represent.

Mrs. WOLFE. Mrs. James H. Wolfe. I am residing here in Washington now, formerly of Salt Lake City. I am talking only for myself, but I hope I represent Utah.

I only have a few words to say and I do want to speak as a citizen of Utah. As you know, Utah is in a similar situation to a number of Rocky Mountain States such as Montana, Idaho, Nevada, Utah, Arizona, and Colorado. The States are large and sparsely populated. We have about a half million population, which is concentrated in 2 cities—about half of the population is concentrated in 2 cities. The natural resources of the State are also concentrated in particular areas, which immediately affects the taxation rates which are applicable to other parts of the State. It means that the burden of taxation of the State is borne by two counties. The remaining counties are in a very difficult situation in order to get enough funds to maintain their county governments. It is practically all they can do to get the bare necessities of government.

The health program is one of the first to suffer, and I should like to read just a little bit from a letter which I have from our secretary of the State board of health. Utah took advantage of the infant and maternity aid which the Government afforded several years ago, and Dr. Beatty, who was secretary of the board of health at that time, was in charge of the program. This will give you an idea of how it affected our State.

Through the Federal aid extended under the maternity and infancy, or so-called "Sheppard-Towner Law," Utah received incalculable benefits. The State board of health was able to carry on a greatly expanded program for the protection of maternal and child health, which contributed to the reduction in the maternal deaths of 35 percent, and also a very substantial decrease in the infant death rate during the period of its operation, not to mention the discovery and correction of many thousands of physical defects.

Owing to the depleted financial resources of the State, the present need for outside aid cannot be overestimated. Our budget for health purposes is being cut far below the amount required for the urgent need of the department, including the suspension of all special activities for child-health programs. We humbly urge the enactment of the proposed measure. In this we are joined by all the agencies interested in child welfare.

In several of the counties in Utah they have not yet been able to get sufficient funds to employ a county nurse. I think that gives you an idea of the situation which exists there. The work being done under the E. R. A. at the present time has been an immense benefit to all, and we hope it can be carried on in this new measure.

The CHAIRMAN. Thank you very much. Mrs. Harris T. Baldwin.

**STATEMENT OF MRS. HARRIS T. BALDWIN, VICE PRESIDENT
NATIONAL LEAGUE OF WOMEN VOTERS, WASHINGTON, D. C.**

Mrs. BALDWIN. Mr. Chairman, may I refer briefly to the provisions for maternal and child health, sections 701 and 704 in Senate bill 1130? While the National League of Women Voters realize that this is not a controversial point, either in principle or detail, we should like to

express to you our gratification that the proponent framers of this bill recognized that the consideration of child welfare belongs in a well-rounded program for economic security.

Since the early days of its organization members of the National League of Women Voters, in their various States, have been concerned with the development of the maternal and child-health program and have worked for adequate appropriations to carry it on. In recent years we have watched with dismay health appropriations cut and protested with other organizations the curtailment of State and local maternal- and child-health services. It has seemed to us that the need for such a program has become more and more urgent with the prolongation of the depression.

It is hardly necessary for me to say that under the best of conditions the expense incidental to the birth of children is one of the economic hazards of family life. There are frequently additional expenses, because sometimes things do not go well and the mother and child are ill for a long period of time. Sometimes one or the other dies, and when the mother dies the loss is often as serious, and sometimes more serious, than the loss of the wage earner.

Our league members are greatly concerned with the fact that few women in rural regions, and in many small towns, have skilled nursing service before and after delivery. There are counties in the United States where there is no skilled trained nurse resident in the county.

Then there is the case of the child. Very often, because of the lack of proper care and the lack of proper food in infancy, there results physical handicaps and undernourishment which affect the child all during his adult years. The State may even be called upon to bear some of the economic costs of these handicaps.

Because of these facts the National League of Women Voters welcomes the proposal of Federal aid for maternal and child health, combined with participation by the States. We feel that such an educational program will go far toward saving lives of mothers and babies, and toward removing some of the hazards of childbirth and infancy. We know that the Children's Bureau is equipped to give thoroughly competent direction to the program, because of its 22 years of research and leadership on maternal and child health and on their relation to the social and economic welfare of the child.

We are glad to see that the bill calls for the active participation by the States through the requirement of matching State appropriations, because the States must increasingly carry the responsibility of giving actual service to the women and children within their borders.

Since there are more than 2,000,000 babies born each year in the United States, perhaps no other preventive efforts in the economic-security program will mean more to so great a number of families. We shall perhaps reap the benefit of such service not only in dollars and cents but in human values. We hope you will agree with us and act favorably on these sections of the bill.

Senator Harrison, I have here the statement of five national women's organizations. Their representatives did not wish to take your time to be heard but they would like to file these.

The CHAIRMAN. You may do so.

Mrs. BALDWIN. Would you like to know what they are?

The CHAIRMAN. Yes.

Mrs. BALDWIN. They are the statements of the American Association of University Women, the National Board of the Young Women's Christian Associations, the National Council of Jewish Women, the American Nurses' Association, and the Women's Homeopathic Medical Fraternity.

The CHAIRMAN. Thank you.
(The letters are as follows:)

AMERICAN ASSOCIATION OF UNIVERSITY WOMEN,
Washington, D. C., February 11, 1935.

HON. PAT HARRISON,
*Chairman Committee on Finance,
United States Senate, Washington, D. C.*

DEAR SENATOR HARRISON: The American Association of University Women, which has a membership of approximately 40,000 extending over the 48 States, wishes to go on record in support of title VII, section 701, of the economic security bill, S. 1130.

Our association endorsed the principle of Federal aid for maternal and child health work at the time the original Sheppard-Towner bill was introduced into Congress and has supported this principle consistently ever since.

The members of the American Association of University Women throughout the country, and especially those in rural communities, had the opportunity of observing at first hand the operation of the Sheppard-Towner Act during the period of its enforcement, and they feel that the services performed at that time for the health of mothers and children were of inestimable value to the Nation. They feel, further, that the discontinuance of these services at the end of the period specified in the act was a distinctly backward step, and therefore this association earnestly supports S. 1130, title VII, section 701, in order to resume the needed safeguards of that most vital phase of our country's welfare, maternal and child health.

Yours very sincerely,

MARGARET F. (Mrs. J. Austin) STONE,
Member of the National Legislative Committee.

WASHINGTON, D. C., *February 9, 1935.*

SENATOR PAT HARRISON,
Senate Office Building, Washington, D. C.

DEAR SENATOR HARRISON: Members of the Young Women's Christian Association have been interested for a long time in the efforts promoted by the Federal Government in cooperation with the States for the reduction of infant and maternal mortality and for improving the health of mothers and babies, which was carried on up to 1929.

The national board of the Young Women's Christian Association began to study this subject in 1920, supported the Sheppard-Towner bill in 1921, and since that time support of work in maternal and child health has been included in the program adopted by the biennial national conventions of the association. Reports of the work carried on under the maternity and infancy law up to 1929 show, we believe, the possibilities for lessening the death rate and for improving the health of mothers and babies.

As a woman's organization, we are interested in measures for the conservation of human life. Our experience, particularly through the work of our health education department and through our contact with women in rural communities, with industrial women, and with foreign-born women, reinforces our belief that this work should again have the aid of the Federal Government.

We are very eager that the work should be made possible through favorable action of your committee on the provisions of S. 1130 on maternal and child health.

Yours very sincerely,

ESTHER CODY DANLY.

(Mrs. E. C. Danly, representing the national board of the Young Women's Christian Association.)

NATIONAL COUNCIL OF JEWISH WOMEN, INC.,
New York City, February 11, 1935.

The National Council of Jewish Women, an organization composed of 40,000 members in 43 States and over 200 cities in the United States, respectfully asks Congress to retain provision for maternal and child care in the economic security measure now under consideration.

Representing an organization whose chief aims include philanthropy, religion, civics, and legislation which affects women and children, we recognize the present great need, and urge the favorable consideration of such measures as will provide the continuation of Federal supervision and aid in maternity and infancy welfare.

NATIONAL COUNCIL OF JEWISH WOMEN,
 MRS. ARTHUR BRIN, *President.*
 GERTRUDE M. SCHLOSS,
National Representative.

AMERICAN NURSES ASSOCIATION,
February 9, 1935.

To Senate Finance Committee:

The American Nurses Association wishes to reaffirm its position in support of Federal assistance to mothers and infants as presented in section VII of S. 1130, introduced by Senator Wagner. This association is composed of 110,000 graduate nurses, many of whom are now engaged in public-health nursing in rural communities.

Therefore, we feel that we are in a position to know the value of nursing service, especially for those far removed from centers where such care is more easily obtained.

Many nursing services formerly operated by State and local health departments, as well as those supported by philanthropic organizations have been discontinued because funds were not available for their support, thus leaving many thousands of mothers and babies without nursing assistance at the most critical period of their existence. We, therefore, trust that the bill will include section VII when reported out by the committee.

Respectfully submitted.

SUSAN C. FRANCIS,
President American Nurses Association.

WOMEN'S HOMEOPATHIC MEDICAL FRATERNITY,
January 28, 1935.

To the Members of the United States Senate Finance Committee:

This is to certify that the Women's Homeopathic Medical Fraternity, which is one of the member organizations of the Women's Joint Congressional Committee, urges the passage of Senate bill 1130, the part of it which refers to maternal and child health. This organization is anxious to preserve freedom of pregnant women and mothers to choose the medical treatment they prefer, but is in accord with the bill in respect to financial and sanitary aid.

JULIA MINERVA GREEN, M. D.,
Delegate, Homeopathic Medical Fraternity.

Senator BARKLEY. I do not know whether this has been put in the record or not, but if not, I think it ought to be included. I would like to know whether there has been any change in the ratio of deaths among children and mothers since the National Government ceased to make this contribution to the infant fund?

Mrs. BALDWIN. Senator Barkley, I cannot give you the exact figures, but I have read just recently that there is a change, and I know the Children's Bureau will be only too glad to give you those figures.

Senator LONERGAN. I would like to ask the witness a question. Has your organization made a survey in each State as to the location of visiting nurses and doctors, in the agricultural territories?

Mrs. BALDWIN. I cannot say that we have made a survey in each case, because we have a State league in only about 39 States at the present time, but we are very conscious of the fact that in many of the rural communities there is a decided lack of not only medical services but nursing services. I remember quite well, in doing nutrition extension work with the Department of Agriculture, of going into rural community after rural community where there was no nurse available at all to the women and children in those communities.

Senator LONERGAN. Well, had the work of your organization disclosed that the States in each case failed to furnish the necessary service?

Mrs. BALDWIN. I could not answer that question, Senator, I am sorry to say.

Senator BARKLEY. Of what State are you a citizen, Mrs. Baldwin?

Mrs. BALDWIN. Well, that is very hard for me to say. I have been a resident of Washington ever since I got out of college.

Senator BARKLEY. Well, that has not been so very long.

Mrs. BALDWIN. You are very kind, Senator, but I am a native of the State of Massachusetts, and if I should vote I would probably vote in the State of New Jersey.

The CHAIRMAN. Thank you very much.

The next witness is Samuel W. Reyburn, of the National Retail Dry Goods Association of New York City.

STATEMENT OF SAMUEL W. REYBURN, NEW YORK CITY, NATIONAL RETAIL DRY GOODS ASSOCIATION

Mr. REYBURN. I am also head of the Associated Dry Goods Corporation of New York City and chairman of a committee representing the National Retail Dry Goods Association.

Gentlemen, the retailer is very close to the consumer; therefore, to the average citizen. For some years many retailers have been concerned about this problem. A few months ago they began to study some phases of it quite intensively. The association I represent has 5,478 members. They have members, I think, in every State in the Union.

Senator LONERGAN. Pardon me. What constitutes a membership?

Mr. REYBURN. A store. It might be a corporate, or an individual, or a partnership, but the people operating stores who want the facilities of the organization.

Senator LONERGAN. Thank you.

Mr. REYBURN. They are reasonably large stores in most communities, and stores with more or less modern methods of accounting and training and probably, on the average, the more progressive stores.

They do probably \$3,500,000,000 of business. They must employ six or seven hundred thousand people. Out of their studies came a resolution at their convention in January of this year. We have asked the clerk to place before the Senators a copy of that resolution. While it is short, I would rather not take the time to read it, but I would like to have it printed in the record.

The CHAIRMAN. Those copies are before us. It will be placed in the record.

RETAILERS' ECONOMIC SECURITY PLAN

GENERAL

The United States has sufficient resources, productive capacity, human energy, and skill to provide at least a fair minimum standard of life continuously for all the people. The relations of the United States with the rest of the world are tranquil. It is not torn by internal political or class strife. There is no natural basis for the present disorganized state of economic affairs. All conditions exist for renewed prosperity and progress.

All production and consequent employment is in response to current or expected consumer demand. Effective demand can occur only when the consumer has money or credit. But only through production and distribution can the money or credit which is necessary to create consumer demand become available. Distortion in these relations causes the vicious circle of expansion and depression.

The objective of this study is to explore certain suggestions that have been made for general economic security. These cover the hazards of unemployment, old age, sickness, disability, and dependency. Any plan must meet the test of practicability. In the last analysis, this test is the effect of any proposed measure in breaking the vicious circle of expansion and depression. Powerful influences that will protect society against the dislocation caused by these economic extremes must be sought, both by the Government and by business.

We must distinguish between a desired ultimate objective, with respect to economic security, and the necessities caused by the situation in which we find ourselves. With respect to the administration program for meeting the present situation on an emergency basis through providing, as proposed by the administration, work when possible and relief when necessary, we are in accord. But we must not permit ourselves to accept these emergency measures as permanent solutions.

Our objective should be to give the worker work and, through adequate reserves and insurances, protection against the hazards of unemployment, old age, sickness, disability, and dependency. Unfortunately, the building up of reserves for each of these purposes reduces purchasing power, particularly in its initial stages. This, however, should not cause us to delay the development of programs, nor should it prevent us from taking the initial steps and of progressively increasing a general program of economic security.

UNEMPLOYMENT RESERVES

The purposes of unemployment reserves are to alleviate the shock of unemployment, to increase continuity of employment, and to aid in the stabilizing of consumption.

Unemployment reserves can be built up which will take care of unemployment resulting from seasonal and other variations in the use of the products of an industry, from technical improvements in the methods of production, and from the initial effects of cyclical unemployment. Such reserves can be made to apply to the large majority of industrial and commercial workers. A program of unemployment reserves, to be of national benefit, must be created by Federal law. Such law must result in eliminating undue benefits for particular States that might be unwilling to meet a minimum national standard. At the same time, it should be flexible enough to allow for administrative variation, to correspond with local needs and preferences, and to provide much-needed practical experimentation.

The unemployment reserve fund, in our opinion, should be built up by contributions by the employer, the employee, and the State. The State should contribute at least the expenses of administration, in order that the full amount contributed by employers and employees may be available as benefits.

In the initial stages, the contributions from the various industries and establishments should be at the same basic rate. As soon as experience with the incidence of unemployment is built up, provision should be made whereby differential rates can be established. This would be an inducement to employers to exercise their ingenuity and initiative in stabilizing employment and would discourage them from throwing workers upon the unemployment fund as a measure of labor economy.

No matter how just a plan may be, nor how skillfully its other provisions may be drawn, it cannot survive an unsound administrative arrangement. The administrative agency in the State charged with the disbursement of funds accumulated for unemployment benefits should be a nonpolitical commission, responsible to no other administrative agency save only to the Governor, and

with no other duties whatsoever. The law should be specific as to the rules under which the commission should operate; and latitude for administrative discretion, although generally wise, should here be rigorously limited.

All funds reserved for unemployment benefits should be deposited with an appropriate Federal agency, so that the effect of these accumulations on the general monetary position can be adequately safeguarded. No one can foretell the exact effect of these accumulated funds at different phases of the credit cycle. No one except the Federal Government should be asked to assume responsibility for the solvency of these funds.

A plan of unemployment reserves presupposes an efficient and widely distributed system of public employment offices. In recent months there has been a certain improvement of this important public service, but further progress must be made to meet the needs that will arise. The Federal Government should continue its interest and support of State public employment offices, and should be supported in its efforts to provide a workable Federal-State system.

While unemployment reserves will take the first brunt of cyclical depression, full plans should be made ready for public works and for measures of relief that will more promptly than has been the case in the present depression restore the purchasing power upon which industry depends. We are in sympathy with the efforts being made by the Federal Government, in cooperation with the States, to plan constructive public projects for the future.

OLD-AGE SECURITY

We must distinguish between—

(a) The development of a plan for insurance at old age for those still in the prime of life; and

(b) The immediate problem of relieving the condition of persons already of advanced years.

The huge liability already existing with respect to the latter group precludes the consideration of ordinary insurance for it. The necessary relief to the present aged can be given only as old-age pensions, not as insurance, and public funds must be drawn upon to provide these pensions.

We suggest a program of Federal and State cooperation, in the provision of the resources necessary for pensions, with flexibility that will permit each State to arrange the terms and conditions in accordance with local needs.

Old age is a universal hazard. No program of old-age insurance should be contemplated which does not make provision for every citizen. If in the near future a program of old-age pensions can be adopted there will then be time to consider the more difficult problem of setting up a plan of old-age insurance, which eventually should come.

PROVISIONS FOR SICKNESS AND DISABILITY

The losses to the individual and to the community from sickness and disability are in the aggregate very large. No plan for economic security can in the long run ignore these losses. We believe that in principle, insurance against such losses is so sound that there should be no delay in the working out of concrete legislative proposals to effectuate this purpose. We advocate the appointment of a Federal commission to study this problem with an open mind, as respects the needs and possibilities for the people of the United States, and to report definite recommendations that can be put into practice as soon as conditions warrant.

MOTHERS' AND WIDOWS' PENSIONS

In spite of the increased economic security that the above measures will provide, there remains the problem of the dependents of the deceased worker's family. We have in this country at the present time an established tradition with respect to mothers' and widows' pensions. Unfortunately, these pensions are less general than is desirable. We suggest that the Federal Government in cooperation with the States, establish minimum standards of benefits, toward which the Federal Government may make an appropriate financial contribution.

RELIEF AND WELFARE

We realize only too well that after all the mentioned hazards have been taken care of, there remain many people for whom relief is necessary. We agree with the administration that these should be provided for by each individual State, in accordance with recognized social service standards.

We submit these views in the hope that they will be helpful as representing the point of view of a large body of American business.

(Note.—The committee that prepared this plan was appointed by the president of the National Retail Dry Goods Association, with the authority of the executive committee, at a meeting held on January 3, 1935. The members of the committee are: Percy S. Straus, chairman; R. H. Macy & Co., New York, N. Y.; F. W. Alfred, Gladding's, Inc., Providence, R. I.; C. B. Clark, the J. L. Hudson Co., Detroit, Mich.; Lew Hahn, New York, N. Y.; Albert D. Hutzler, Hutzler Brothers Co., Baltimore, Md.; Edgar J. Kaufmann, Kaufmann Department Stores, Inc., Pittsburgh, Pa.; Louis E. Kirstein, Wm. Filene's Sons Co., Boston, Mass.; Fred Lazarus, Jr., the F. & R. Lazarus & Co., Columbus, Ohio; Ward Melville Shoe Corporation, New York, N. Y.; Frank H. Neely, Rich's, Inc., Atlanta, Ga.; Dr. Paul H. Nystrom, Limited Price Variety Stores Association, Inc., New York, N. Y.; David Owens, J. B. Ivey & Co., Charlotte, N. C.; Samuel W. Reyburn, Associated Dry Goods Corporation, New York, N. Y.; Oscar Webber, the J. L. Hudson Co., Detroit, Mich.; Gen. R. E. Wood, Sears, Roebuck & Co., Chicago, Ill.)

MR. REYBURN. In just a few general statements, I want to represent the retailers, because I will be followed by another merchant from Baltimore who will go into some specific details.

The general principle we approve. As we look at it, fortunately we now seemed to have reached the time when the mass mood is changing from a feeling of pessimism and helplessness. The new mood is not the unfounded optimism which existed just before the beginning of the depression. It is not the futile wish we held in 1930 for a lucky turn of events to restore better times. It is not a belief that the Government can create wealth and lift all troubles from our shoulders. It is a more healthy state of mind and feeling than any of these; courage, self-reliance, and confidence are reviving. On every hand we see evidence of a return to the good old American belief that as individuals we who have jobs can take care of ourselves and assist our neighbors who have met with misfortunes and give intelligent aid to our Government.

Consumers are showing a greater willingness to buy, which is consumption's way of commanding production and distribution to increase employment.

The old cycle is ended and the new has begun. Better times are on the way.

The rate and degree of progress will, in a large measure, depend on our cooperation in thought and deed. Each one must feel his responsibility and endeavor to do his part. We must become less self-centered, more aware that what is for the good of the whole group is, in the end, better for each individual than that thing which would seem to be more immediately profitable to him.

Leaders of thought in every field—labor, industry, commerce, the pulpit, the press, and in the professions—have a very great responsibility at this time. They should endeavor to put aside anything of narrowness, envy, intolerance. They must investigate, search for and evaluate facts with honest, open, and courteous minds. They must give freely of their mental, moral, and annual strength in this period when faith and courage are returning.

In the study of social insurance we should not think of it as something new. The principle is as old as Adam and Joseph and has been taught by leaders down through the ages. Its practical value is based on that constant conflict of hopes and fears, feelings and beliefs, which exists in every normal human breast, and on the constant variations of natural forces which have influenced this old

planet from year to year for untold centuries. It is a recognition of the fact that these varying moods of the human being coupled with these constant changes in physical nature will always give us seasons of plenty, alternating with seasons of famine. This proposed legislation following an old principle is a new device designed to fit into these complex times through which investor, management, and worker shall each be compelled to follow an old principle and lay aside part of income in normal times to mitigate distress when hardships come.

In those days of the individualism of pastoral and agricultural economy the head of each family was urged to follow the principle. In these times of big corporations and large organizations, industrial economy requires compulsory cooperation of all employers and workers.

The merchants in their study of old-age security distinguished between (a) the development of a plan for insurance at old age for those still in the prime of life and (b) the immediate problem of relieving the condition of persons already advanced in years.

In regard to the latter (b), they believe the State and the Nation, out of general funds and with no specific charge on industry and commerce, should meet these obligations.

As to the former (a), they called attention to the fact that old age was a universal hazard. Everyone who lived long enough enjoyed it or suffered it. Therefore any program for this group should make provision for every citizen who would ever need it. Of course there should be a "means" test.

While all of us who have jobs will either pay for it in prices of goods we consume or in our tax bills, we think it should be a responsibility from year to year of every political administration. We differ very definitely with provisions of the bill and with the views expressed by Secretary Morgenthau before the Ways and Means Committee of Congress I believe, on the 4th instant, and reported in the press of Wednesday, February 6, in which he advocated excise tax on pay roll and income tax on wages for this purpose.

The merchants with whom I have talked and many men other than merchants in industry and commerce believe this to be a proper charge against general revenues of States and nations.

Senator CONNALLY. Are you not confusing the unemployment with the old-age pension? The old-age pension, as I understand this bill, is not paid for by the tax on pay rolls at all, but comes from general revenue?

Mr. REYBURN. Look at section 301.

Senator BLACK. The second phase of the old-age pension is different, as I understand it. It is in line with what he suggested.

Senator CONNALLY. I beg your pardon.

Mr. REYBURN. The old-age annuity, the bill calls it. It is dealt with in section 301.

Senator CONNALLY. Above 65 is what we refer to generally as the old-age pension.

Mr. REYBURN. We divided them into the groups that now have need of assistance, which the State and the Nation should take immediate care of, and in the other group, the younger people who some day will become old, we think, perhaps you should take further time and study that. My own thought is—I cannot speak for the mer-

chants, because you must recognize that our program was adopted on the 15th, I think 2 days before the economic security report was made to the President, and we had framed that on the 12th of the month after this long study I spoke of. They are quite similar in many respects, but we had no bill before us to deal with, but I cannot definitely speak for all of those merchants as to particular problems in the bill. I can only go back to the text of that. But my own thought is that that part of it could be eliminated for further study.

Senator WALSH. Who were the merchants that made this study?

Mr. REYBURN. There was a special committee of 26, a voluntary committee.

Senator WALSH. I do not care to know who the 26 were. Were there any 2 or 3 members that made a special study?

Mr. REYBURN. I appeared as early as 1931 against action at that time before the New York Legislature. I had been reading about it for some years.

Senator WALSH. I thought perhaps you made a special study at the present time.

Mr. REYBURN. As chairman both of the National Retail Dry Goods Committee and this special committee of 26 since the 1st of October.

Senator WALSH. Mr. Lincoln Filene asked to appear before the committee.

Mr. REYBURN. Yes.

Senator WALSH. Is he a member of the association?

Mr. REYBURN. Yes, he is a member of the association.

Senator WALSH. Are you expressing his views?

Mr. REYBURN. No.

Senator WALSH. Does he entertain different views from yours?

Mr. REYBURN. He does in some respects with reference to this bill.

Senator WALSH. I just wanted to know.

Mr. REYBURN. He and his brother differ, and then their partner, Mr. Kirstein, still has another point of view. The attitude of the members of that firm indicates the complexity of the question.

Senator BLACK. May I suggest to the witness in connection with a statement made a while ago that section 301 provides for the tax to which he refers for old-age pension, and section 405 designates it not as pensions, but as annuities, so that it does impose a tax to what he pays on the pay roll for old-age annuities for the second phase of the bill. You will find it at page 15 of the bill and page 25 of the bill.

Senator BARKLEY. I did not get from you what your official connection with the National Retail Dry Goods Association is?

Mr. REYBURN. I have been a member of it since I became a merchant, 21 years ago, and I have been a director at various times, and now I have been chairman of their committee since last October when they appointed a committee on this subject of economic security.

Senator BARKLEY. I see that you are connected with the Associated Dry Goods Corporation.

Mr. REYBURN. Yes, I am president of that.

Senator BARKLEY. What is that organization?

Mr. REYBURN. It owns 8 department stores in 5 States. One of them is in your town of Louisville.

Senator BARKLEY. Under what name?

Mr. REYBURN. Stewart Dry Goods Co.

Senator COUZENS. Are these all held through a holding company?

Mr. REYBURN. Yes; a holding company owns these eight stores. However, they are locally managed; there is no question about that. I am the partner of the heads of the different stores, but only a junior partner or consulting partner.

Senator CONNALLY. Is each one a separate corporation?

Mr. REYBURN. It is a separate corporation; yes, sir.

Senator BARKLEY. Dividends are paid to the stockholders of each separate corporation and also to the stockholders of the holding company?

Mr. REYBURN. All the stores but one are wholly owned, and so the dividends go to the holding company and from there to the stockholders.

Senator BARKLEY. I was wondering whether the dividends are pyramided, that is, separate dividends to each separate corporation's stockholders, and then the stockholders of the holding company are supposed to get dividends.

Mr. REYBURN. That is beside this question, but I would like to explain it if you have time.

Senator BARKLEY. The holding company owns all of the stock in the corporation?

Mr. REYBURN. All except one of the stores, there is a little outstanding stock.

Senator BARKLEY. So the dividends all go to the holding company?

Mr. REYBURN. Yes. May I say just a word on holding companies? You know we business men discover safety in our ventures by distributing our risks, just as insurance companies do, and the justification of the department store is that principle of distributing risks. It has many stores in one. Some of them are in black this time and in the red next time, but altogether, going along together, with the advantages of watching results and developing better plans and better principles, presumably they are all benefited and the investor is benefited. That same principle applies to a holding company like ours. It was the consolidation of two other holding companies when I took charge of it. It has never been changed as far as the principle of representing the stockholders is concerned, and it remains now just as it did 21 years ago, and our risk is distributed in each store among 60 or 70 departments, and then the risk is distributed in 8 different stores in 8 different localities. That was the principle on which it was set up.

Senator BARKLEY. Let me ask you this: I have been somewhat familiar with the National Retail Dry Goods Association over a number of years—I have addressed its meetings. I would like to ask you what is the genesis of the interest of the National Retail Dry Goods Association in this type of legislation if you can tell us again?

Mr. REYBURN. The interest of the retailer is the interest of the consumer, which is practically the interest of the citizen. In prosperous times he got his political obligations and his religious and social obligations kind of mixed up and he paid very little attention to politics. He realized after a while that while he ought not to interfere with a man's religion because the freedom of that was guaranteed to him, or free speech, or his social aspirations, he has begun to realize that his political duties are separated from those and he ought to attend to them, and he got into this, as I expressed it in one of my speeches—business got so interesting back in 1919

that I began to neglect my political duties, so I lost my name. I am trying to get my name back. This was a thing where I thought I could help my business and help my country, and I began to talk about it, and the first thing you knew, they wished a chairmanship on me, so I have been a journeyman country saver most of the time since last October. That is about as near as I can answer you as to how they got interested. A number of other men were thinking as I did, so we got together and expressed it in this resolution.

Senator WALSH. Your interest was somewhat based upon the possible effect on your pay roll?

Mr. REYBURN. We are willing to stand taxes. We would like them to interfere as little as possible with industry and employment.

Senator WALSH. It is a proper attitude.

The CHAIRMAN. We are glad to get your views and will consider your suggestions.

Mr. REYBURN. Thank you Senator. I just have one paragraph that I did not read of this memorandum.

We think the Federal Government should participate in such a program to bring about uniformity throughout the Nation. However, flat rates for benefits should not be paid. The cost of maintaining social and economic standards vary greatly in different States and in different counties and municipalities in the States. Such practical differentials in living standards should be taken into consideration. Otherwise in those counties and municipalities where living is simple, wholesome, and less expensive, payment of benefits on flat rates would in fact be given advantages that would amount to a preferential over those people who live in localities where the necessities of life were more expensive.

In other words, the distribution of such funds should be made on some plan that would provide an equality of real income rather than monetary equality.

Senator BARKLEY. Are you speaking now of the pension features or unemployment features?

Mr. REYBURN. In the schedule here.

Senator BARKLEY. What do you think of the wisdom and propriety, purely as a matter of government, of levying a tax on the people of one State for a definite and specific purpose and then if the State does not pass legislation that would bring it within the meaning of the law, to expend the money for that purpose, in general governmental purposes and not the purposes indicated in the act?

Mr. REYBURN. I am entirely a States' Righter. I think local people can look after local affairs better than some people far away, but you know the interstate commerce knows no State lines, credit knows no State lines, and in our modern industrial civilization, these problems of social security will have to recognize that fact and not be bound down by State lines. I may not be able to defend it as a high moral principle, but I see no objection to it in a thing of this kind. It may be a dangerous thing, and I do not mean to endorse it, but at this particular time—and I am speaking only for myself and trying to answer your question—a law that would seem fair generally and would be permitted by the Constitution that looked to compelling the States to contribute, even though it penalized those States who did not come forward, and in that event would give more money to the States that did cooperate in the law, might be fair.

Senator BARKLEY. That is not what is going to happen. Let us assume that we pass this act within the next 2 or 3 months and that the legislatures of half the States take advantage of it by providing laws of their own, which would bring back to them 90 percent of the 3-percent tax that is levied on their pay rolls. The other half of the States for one reason or another do not enact that legislation, but the 3-percent tax is levied on their pay rolls just the same. That 3 percent collected from half the States that do not enact their own laws does not go, not a nickel of it, into unemployment insurance in the other half of the States but it is covered into the Treasury and may be used for any purpose for which money may be appropriated.

The point that I have in mind and that sticks in my craw is that there ought to be some earmarking of this unemployment money that is collected from the States that for one reason or another might not be able to enact this law within a year or two, so that when it does come in, that money would be available and not just take it away from them and put it into salaries and general expenses, highways, or any other Government purposes. It seems to me if it is collected for unemployment insurance it ought to be spent for unemployment insurance, and if the State is, by reason of the delay in its legislative session or for any other reason it cannot overnight comply with the requirements, that the money collected from it ought to be held against the day when it can comply or will, so that it will get the benefit of it. That is my idea. I would like to get your reaction to it.

Mr. REYBURN. I will give you my reaction. It seems to me there is much justice in what you say. I have not a definite opinion on that, but not doubt you have given it a good deal of thought.

Senator BARKLEY. I would not want to do anything by which the State would be encouraged to delay its law. I cannot see just how that would, because it has to pay the tax anyhow, and yet I do see that it seems to me that we have gone out here perhaps to raise a fund for unemployment, that that money ought to go to unemployment and not something else.

Senator BLACK. I am very interested in your statement, as I understood you, that your association favored the idea of collecting as much of this as possible for general revenue rather than from the pay-roll tax. Was I correct in that understanding?

Mr. REYBURN. In all the pension problems, we think that ought to be done. Everyone suffers from old age and everyone ought to get that benefit. Industry all by itself ought not to pay them. If you pay it out of general revenues, it will be a matter of legislation from year to year, and that will educate the public better, and it will educate the various administrations to carry on that responsibility, and I believe it will get a better and more economic administration of that law.

Senator BLACK. You then will have to pay the taxes either way, under general revenues of the pay roll?

Mr. REYBURN. Yes.

Senator BLACK. But you believe a better method would be from general revenue sources?

Mr. REYBURN. I know the difficulties you gentlemen are up against in revenue. Everybody resists it, but I think the public opinion of these probably 37,000,000 who have jobs now and who are struggling with this problem, would very readily accept and support you if the

press and platform would advocate it, and I have talked to a great many people—to have a very much broader base on your income tax. It would be a fine thing if you could get that and get it accepted. Your revenue would be a steadier flow, and you would have more people paying it, and you would have more revenue.

The CHAIRMAN. You mean by a broader base, to reduce the exemptions?

Mr. REYBURN. Yes; reduce exemptions very low down.

Senator COUZENS. What would you say about an excess-profits tax?

Mr. REYBURN. I think excess-profits tax works two or three ways. Our tax laws since the war have really gotten so that they have contributed largely to the troubles of this depression. I think excess-profits tax as I observed it, and maybe as I have used it, caused an increase of administration of business, because they see that money is going to pile up, it has to go to the taxgatherers, and they put in improvements that they do not need. Of course, that buys material and pays for some labor, or they have big advertising, but the trouble of it is they set a standard that when the excess profits are gone, they are too extravagant in the administration of their business.

Senator BLACK. You mean they would like to pay large salaries and large bonuses?

Mr. REYBURN. Yes.

Senator BLACK. What would you think about a tax on large salaries and large bonuses, if that is the method of getting away from it?

Mr. REYBURN. I always thought the taxes on my salary were very much too heavy.

Senator BLACK. You would be opposed if they raised the salaries and the bonuses beyond reasonable limits; you would be opposed to a tax on them?

Mr. REYBURN. I have grumbled about my taxes but I have paid them. I have never been in any trouble until 1932. I am called in on the carpet now in the captain's office, but I think that people with money and with income are cheerful about paying. Most of them that I talked to would like to see the base broader because your income would be surer and larger, too.

The CHAIRMAN. You feel that excess-profits tax encourages waste and extravagance in the conduct of business?

Mr. REYBURN. Yes, it does, and you cannot stop it when you do not have the excess profits next year.

The CHAIRMAN. Thank you, Mr. Reyburn.

The next witness is Mr. Albert D. Hutzler, of Baltimore, Md.

STATEMENT OF ALBERT D. HUTZLER, BALTIMORE, MD., VICE CHAIRMAN OF NATIONAL RETAIL DRY GOODS ASSOCIATION

Mr. HUTZLER. My business is Hutzler Bros. Co., of Baltimore.

Senator BARKLEY. What is the nature of that business?

Mr. HUTZLER. The nature of that business is a retail store. We happen to be an independent store. It has been in the same family for 77 years on the same site.

Senator BARKLEY. A department store?

Mr. HUTZLER. A department store; yes, sir.

I simply want to bring out three points concerning this retailers' resolution and the bill before you. The first point is this—that retailers generally are in accord with the spirit and objective of this bill,

and that the retailers are a large section of the business life of the country.

The second point is that though we are quite in accord with the old-age assistance to those who are now old age, we believe that the provision for old-age insurance for those who are at present not old age, has not been developed sufficiently to be passed with this bill, as the rounding out of that provision will undoubtedly delay the passage of the rest of the measures of the bill.

The third is certain points in unemployment-insurance provisions which we think should be altered.

Regarding the first point, I think that if you will look at this resolution that was passed before the President's proposal or introduction of this bill, you will find that the spirit of it is very much in accord. The drafters of the bill are on the last page. The committee, if you will notice, covered stores from all parts of the country that were available, from the Middle West, from the South, from the North, large stores and small stores, and in the National Retail Dry Goods Association more than half of the members are small stores.

Many provisions in the bill are so similar, those for maternal aid, for child care, for assistance to those who require help by the Government—that we have no differences, although we might differ in all details.

As far as the health problem is concerned, we believe that eventually health insurance should take place, and we understand that a commission is studying that subject.

As far as the second point is concerned, and that is the old-age insurance for those who are at present not old, we think that should be eliminated from the bill, because we do not believe it has been worked out on an actuarial basis, that it would be sound in its present form, and the point that Mr. Reyburn was making that on top of the pay-roll tax and the unemployment insurance provision, which we do not object to, there is applied another tax on the pay roll in the old-age insurance for those who are not now old, and the putting of these two taxes one on top of the other we believe would truly make a real encouragement for the employers to have labor-saving machinery; in other words, where labor is cheaper than machinery without the two taxes, the machinery may be cheaper than labor in a great many cases with the two taxes. We certainly do not want to put a premium on labor-saving devices.

We believe that, in order to get the bill through as rapidly as possible, particularly in those provisions where the cooperation of the States is needed, and with a great many legislatures in session, that in order to get these other things through rapidly, that are worked out, we should eliminate this one section from the bill.

The unemployment insurance we are in general accord on, but there are several things that we do think should be modified. The retailers have studied this at great length and they have come to a conclusion that in the State funds, while they believe that a national law should be passed so that interstate competition will be the same, they believe that the funds should be contributed to by the employer, the employee, and the State. The State should contribute at least enough to defray the cost of administration, because then there will be a positive effort whereby the State administrations, to keep that administration to the lowest figure, and the benefits from the fund

will be the amount paid in by the employer and the employee. The way this bill is drafted, it seems to discourage that sort of assessment in a three-way degree by the individual State laws. To a much greater extent in unemployment insurance, we feel that the provision—I think it is on top of page 50—that no differentials based upon experience, no credit, can be allowed in this tax, because of differentials based on experience until after 5 years. I think it is line 15, page 50.

We believe that is too long to wait. What we want to do, what we want to accomplish, is stabilization of employment rather than payment of benefits from this fund. We want to give real encouragement to employers to stabilize their employment seasonally in other ways, and those employers who would take wage-saving measures that might throw employees into this fund should be penalized by keeping the full rate while those employers who use their own establishment and manage to stabilize the employment either seasonally or by not taking drastic labor-saving measures, should have the benefit of that stabilization earlier than at the end of 5 years. And we think that the word “five” should be eliminated from that provision and “two” substituted, which will give 1 year for accumulating the fund and 1 year for experience. Those differentials can be made slowly, so that by the various State laws they do not operate too quickly and not too short an experience, but they should be made early so that as in other forms of insurance, you get the benefit of good performance, but of course as a corollary to that, provision should be put in the law giving minimum standards of benefits to the workers, so that a partially cooperating State cannot give differentials to its industries and give them a competitive disadvantage.

To sum up, we want to emphasize first that we are in general agreement with the situation and with the objectives of the bill; secondly, that we think as a means of a passage of the rest of the bill earlier, that the old-age insurance for those who are not now old should be eliminated, and that these changes should be made in the unemployment features of the bill.

The CHAIRMAN. Thank you very much.

The next witness is Elmer F. Andrews, State industrial commissioner of New York.

STATEMENT OF ELMER F. ANDREWS, NEW YORK CITY, STATE INDUSTRIAL COMMISSIONER OF NEW YORK

MR. ANDREWS. Mr. Chairman and gentlemen of the committee, I am here representing Governor Lehman, and also the committee in New York State which prepared the administration unemployment-insurance bill now before the State legislature. That committee consisted of Prof. John P. Chamberlain, of Columbia University; Prof. Herman Gray, of New York University; George Meany, president, New York State Federation of Labor; Justine Wise Tulin, assistant corporation counsel of New York City; James A. Corcoran, assistant secretary, New York State Department of Labor.

The views which I express for the Governor and this committee are related solely to those sections of the bill under discussion having to do with unemployment compensation.

May I say that we feel that the bill as a whole represents a tremendously important step forward in social legislation for the United States. The suggestions to be made with reference to it are intended

to be constructive. The points which the Governor wishes me to bring before you are given below and the accompanying suggested amendments are submitted in accordance with the wish expressed by Senator Wagner at a conference held with the members of the committee last week.

I do not mean to commit Senator Wagner directly to the suggested amendments but he thought this was the best way to get it before the committee, to give you definitely expressed recommendations.

1. PROVISIONS GOVERNING EMPLOYERS RATE OF CONTRIBUTION

The Federal bill which is to become effective January 1, 1936, does not set a fixed basis of contribution but provides a 3-percent employer's contribution, with a reduction in the first year to either 1- or 2-percent contribution based on the position of the adjusted index of the Federal Reserve Board's average of total industrial production, being 1 percent if under 84 percent of the average for the years 1923-25 and 2-percent contribution being payable if such index averages between 85 percent and 95 percent of such yearly average. At the present time we are informed that such production index is about 85 for the current month; the average index of production for the 12 months preceding October 1934 was 76.8.

In the second year, a similar sliding scale arrangement is provided, with the saving provision that the second year's contribution cannot be less than that made in the first year.

Under the provisions of the bill introduced in New York State, the employers' rate of contribution is definitely fixed at 3 percent of the pay roll of his employees, with a provision calling for a report by the industrial commissioner to the legislature, not later than February 1939, relative to the financial aspects of the fund and the rates of contribution thereto. This latter provision was intended to cover the study of any possibility of the merit-rating system being used or special rates in cases where a guaranteed week's basis of employment could be utilized.

The Committee on Economic Security report states that a 3-percent contribution is necessary to support a plan of benefits contemplating \$15 maximum weekly payment for a maximum period of 15 to 16 weeks unemployment. If the rated contribution in New York State must be reduced, it will have to reflect itself likewise in the weeks of benefit. Fluctuation and change in benefit periods, the basis of which will hardly be understood by the workers, will undoubtedly arouse suspicion and distrust of any plan.

The failure to set a fixed rate of contribution will give support to lobbies which will seek to debase the standards in each State. States will be set at odds with one another and the difficulty in securing contributions necessary to adequate standards will thus be increased in every State.

No concrete suggestion for amending the bill is proposed inasmuch as it is obvious that if the 3 percent of employers' contribution would be made uniform it would simply mean the elimination of the sliding-scale features contained in section 601.

I might add there, Mr. Chairman, that we do not see how you can definitely in a State bill say how many weeks of unemployment benefits there may be, what the waiting period may be, or when the

benefits shall start to be paid, 1 or 2 years from now, unless the States may set up an income-producing system which will create a pool sufficient to produce enough revenues for a certain amount of the State benefits during a particular year, and how long the waiting period may be before a worker who becomes unemployed starts to receive benefits.

Senator COUZENS. Do you believe in the pool system?

Mr. ANDREWS. Yes, sir.

2. THE METHOD OF ALLOCATION OF ADMINISTRATION EXPENSES TO THE STATES

The bill under consideration makes an initial appropriation for the fiscal year ending 1936 of \$4,000,000 for distribution to the States entitled thereto, complying with other provisions of the act, and thereafter a yearly amount for such purpose of \$49,000,000. It further provides that only so much as the Federal Social Insurance Board deems necessary, "shall be apportioned among such States on the basis of need for such financial assistance in the proper administration of such laws."

This would introduce in the bill the principle of a "means test." In the allocation to the States there is an extreme probability that in the handling of such a question New York State might easily be discriminated against. It would be possible for less wealthy States to have a greater need for financial assistance than New York State, and might therefore receive a larger proportion of the money available.

Regarding the expenses of administration, the New York bill contemplates that such administration expense shall be made up out of contributions paid by employers. The Federal bill requires a payment into the unemployment trust account of all contributions received and further provides (sec. 602-d), that all money requisitioned by a State agency must be used exclusively for the purpose of paying benefits. The amount of money scheduled in the Federal bill for allocation to the States for administrative payments would not appear to be adequate to meet the total administration cost, so that the Federal bill apparently expects direct appropriations from the State treasuries for the purpose of administration costs over and above the amount that might be allocated by the Federal authorities. It appears that section 602-d should be broadened to permit the requisitioning of moneys, either to satisfy claims to benefits or when necessary to pay costs of State administration.

Proposed amendments: At page 29, line 23, after word "basis" insert: "of the proportion of the number of insured workers in each State and"; at the same page, line 24, change period after word "laws" to a comma, and insert:

Provided, however, That the amount to be distributed to the States in the discretion of the Board because of such additional need of financial assistance shall not exceed 10 percent of the total allotment to be made.

The proposed alternative amendment to permit requisitioning of trust fund for compensation payments and administrative expenses: At page 31, line 6, after word "compensation" insert:

Except when the Board in its discretion shall approve the separate application of a State to requisition a stated amount to be expended for payment of administration expenses made necessary by the inadequacy of the periodic allotment.

At page 37, line 6, after word "compensation" insert before semicolon: "and as otherwise provided in such section." At page 46, line 3, after word "compensation", insert: "and as otherwise limited under section 407 (5)."

3. THE DEFINITIONS OF WAGES IN THE STATE AND FEDERAL BILLS, SIMILAR IN MANY RESPECTS, DIFFER IN TWO IMPORTANT MATTERS

First: The New York State bill excludes at this time bonuses as part of the wages (although recognizing that such exclusion might develop an obnoxious practice which then could be met through proper legislation), while the Federal bill includes bonuses as part of the wages.

Second: The New York State bill includes tips or gratuities received from other than employer as part of the wages received by the employees on the theory that in many occupations it is an integral part of the wage, so recognized, and within reasonable limitations properly determinable. The Federal bill apparently excludes tips through nonmention, although it may be the intention of the framers of this measure to include tips in the words "and similar advantages", although it seems that the attempt to so consider it as payment "indirectly by the employer" might not stand up.

May I say that in connection with tips, that in the administration of the workmen's compensation law, the tips are recognized as basis of compensation payments in insurance-company premiums, on the basis of tips received by such classes of workers as taxicab chauffeurs, waiters, and waitresses. Perhaps you know that in Coney Island there are resorts where waiters have paid as high as \$25 per week for the privilege of waiting in those establishments. So that we think that tips are very important as part of the salary on which the taxes are paid.

Senator CONNALLY. How about keeping an account of them?

Mr. ANDREWS. In our bill we say that is an administrative matter to determine. In the compensation law, the Industrial Board through its studies and through the years knows about how much a taxicab operator receives during the week as tips, and that is used by them and the insurance companies to promulgate rates.

Senator BARKLEY. You say in some restaurants the waiters pay \$25 a month or per week?

Mr. ANDREWS. Before prohibition Coney Island, in some of the large beer gardens, some of the waiters paid as much as \$25 a week for the privilege of waiting.

Senator BARKLEY. Whom did they pay it to?

Mr. ANDREWS. To the proprietor.

Senator BARKLEY. Is that true generally of restaurants in the city?

Mr. ANDREWS. I would not say so, because the weekly payment to waitresses in New York City may in some cases be \$2 or \$3 a week—

Senator BARKLEY (interposing). I meant to ask you whether there were many of them that paid for the privilege.

Mr. ANDREWS. Not now.

Senator CONNALLY. But this is true, that the wages are much less because of the prospect of tips, therefore they pay less than they would otherwise pay?

Mr. ANDREWS. Oh, yes; some restaurants rather high class pay \$5 because the girls will average \$25 on top of that, and that is the reason why that should be considered an integral part of their income.

Senator CONNALLY. Do not the proprietors usually require a division of tips with their help?

Mr. ANDREWS. I understand so. You know in hotels a great many times a fellow even to get a job must pay the employer. I do not mean the management itself, but the person who does the hiring. There has to be an arrangement for splitting tips and things of that kind.

The amendment for that would be at page 45, line 4, strike out word "and" and after word "advantages" but before period add words:

and gratuities received by the employee in the course of his employment from a person other than his employer, the value of which shall be determined by the Board. When so determined, such value shall be deemed an integral part of the wages of the employee and for pay-roll purposes as part of the wages paid by the employer.

4. STATE-WIDE POOLS

After careful consideration, it was decided in New York State to have an exclusive and State-wide pool of unemployment-insurance funds. This decision was based upon the following points:

(1) It seems essential to protect the certainty of payment of benefits. If strong employers are permitted to set up individual company reserves the stability of the general fund will be impaired.

(2) The administration of a system permitting individual company reserves would be so difficult and costly as to raise serious problems.

(3) Individual plant reserves would foster the growth of company unions.

Senator COUZENS. Have you studied the Wisconsin plan and know how it works?

Mr. ANDREWS. I have tried to find out as much as I can, but the the best reports I can get—perhaps it has not been in existence long enough to prove itself—but I have not heard anything too glowing about it. I understand that this act would not conform with this Federal bill.

5. TIME OF COMMENCEMENT OF UNEMPLOYMENT COMPENSATION PAYMENT

Benefits under the New York State bill are to commence 1 year after the contributions become effective, namely, under the provisions of the bill, October 1, 1936, and if amended to conform to the Federal act, January 1, 1937.

The Federal bill provides for approval of State plans that, "Commence under such State law 2 years after contributions are first made under such law." It is probable that this 2-year limitation was intended as a maximum provision and not as a restrictive or minimum period necessary for the accumulation of sufficient funds, although in view of the reduced contribution basis contemplated, it may have been intended that this 2-year period should be inflexibly operative.

Proposed amendment: At page 36, line 18, after word "law" insert: "not later than."

6. NEED FOR SOME MINIMUM STANDARDS TO BE ESTABLISHED IN THE
FEDERAL BILL

Under the Wagner bill the matter of standards in limitation of maximum number of weeks of payment of compensation, maximum and minimum waiting period, and minimum and maximum rates and amounts of compensation payments are all left to the individual States.

The New York State bill calls for a 16-week maximum payment period. It fixed the payment on a 50 percent of wages basis as compensation with a maximum of \$15 per week and a minimum of \$5 per week and establishes a 5-week waiting period in the calendar year with an initial unemployed waiting period of 3 weeks.

Senator COUZENS. Do you have any employee contributions?

Mr. ANDREWS. No, sir.

Senator COUZENS. Not in New York State?

Mr. ANDREWS. No, sir. This is the New York State bill that I am talking about. We feel it will be taken out of the employee one way or the other, anyhow.

Although there may seem to be sound reasons applying against the inclusion of definite standards in the Federal bill on all these factors, it is imperative in our judgment that any governing bill of this type shall provide that any State unemployment fund or system, to qualify, must provide for paying compensation to unemployed workers at not less than the rate of 50 percent of their full-time wages. In the absence of any such regulation of this feature, State plans might provide for payment to unemployed of any amount from perhaps 50 cents a week to full weekly wages.

Proposed amendment: At page 37, after line 21, insert new subdivision G: "(g). The State law provides for payment of compensation benefits after a specified waiting period of not less than 3 weeks, at a rate not less than 50 percent of the employees full-time weekly wages."

7. DIFFERENCE IN DEFINITION OF EMPLOYER

In the bill under discussion the employer is defined as any person who "within each of 13 or more calendar weeks in the taxable year employed at least four persons in employment subject to this title." The New York State bill defines an employer as anyone who has employed four or more persons "at any time in any 3 months' period, or such shorter accounting period as the Commissioner may establish." Considerations of administrative expediency are thought to justify the New York definition.

Proposed amendment: At page 43, line 17, strike out word "within"; same page line 18, strike out words "each of" and insert: "at any time in any," same page, line 18, strike out words "or more", so that passage shall read: "who or whose agent or predecessor in interest at any time in any thirteen calendar weeks."

8. COVERAGE OF FARM LABOR

A complication would also ensue in relation to the credit permitted to be allowed against the Federal pay roll tax up to 90 percent of the amount contributed to the State unemployment fund. Farm labor is exempted from the payment of any contributions under the New

York plan, whereas the Federal bill is silent on this point and apparently intends to include farm and agricultural workers. Therefor, the New York employer in such fields, having to pay the 3 percent Federal tax or such other adjusted rate as the provisions of the bill may finally provide, would not be able to secure any deductions or credit because he would have paid nothing to the unemployment fund in New York State. In other words, New York farm employers would be required to pay contributions but their employees would not be eligible to benefits.

We feel that at least at the inauguration of the unemployment insurance plan that farm labor should be exempted because to bring this class under the law would add too greatly to the administration difficulties and expenses causing an undue drain upon the unemployment fund.

Proposed amendment: At page 44, line 23, after word "Congress" and before period insert: "or employment as a farm laborer."

Very informally, I might say that we do not think as an administrative expedient it is wise to include farm employees and we feel that it would be very difficult to pass the bill in New York State were farm labor included.

9. EXCLUSION OF HIGH-SALARIED WHITE COLLAR WORKERS

Those I represent believe that the Senate bill by not providing any exemption for the exclusion of nonmanual workers who receive more than say \$2,500 annually, will require the States enacting unemployment insurance legislation to administer a cumbersome law. Such high-salaried persons as bank and insurance company presidents are not considered to need the protection afforded by the New York State bill.

Proposed amendment: At page 47, line 15, after word "thereunder" and before period insert: "but shall not include any person employed at other than manual labor when such nonmanual worker is paid at a rate of wage or salary of more than \$2,500 a year or more than \$50 a week."

The CHAIRMAN. What is your limit in New York?

Mr. ANDREWS. For nonmanual workers, \$2,500. For manual workers, no limit.

Senator CONNALLY. Do you tax them?

Mr. ANDREWS. We only tax the pay rolls of those who would be entitled to benefit.

Senator CONNALLY. Why should not the president of a company drawing a big salary pay a tax toward unemployment on his salary even though he does not draw any benefit himself? It is a part of industry?

Mr. ANDREWS. Well, I think if we ever have any merit rating, we will have to annul the very direct relationship between the income from pay rolls of employees who have received benefits and who may receive benefits. I think it would be very hard from any sort of actuarial standpoint to tie in your relationship between the unemployed and the employed, and the income from your pay rolls to take care of these unemployed.

Senator CONNALLY. It would be just so much velvet above the present plan. I think if industry is going to be taxed, I think everybody that draws a salary from the concern, whether he be the presi-

dent or the doorkeeper, ought to pay. The whole theory is that industry is going to bear its burden. If you come along here and exempt a man drawing \$25,000 a year salary from it, and tax the fellow drawing \$15 a week, it seems to me it is an unjust shifting of the burden.

Mr. ANDREWS. I think that opens a very interesting point.

Senator CONNALLY. What is your reaction to it?

Mr. ANDREWS. I think there is a lot in what you say, sir. We are working out in New York State—we have decided that if we have 3 percent on 2,300,000 workers within 2 years, we can start paying \$15 benefits for 15- or 16- week period, but if you are going to get everybody in New York State from Wall Street operators down, you can probably cut that 3 percent down.

Senator CONNALLY. All of these funds are going to run behind what you figure they are going to run actuarilly, experts to the contrary notwithstanding, but the point I make is this, that this is not getting back something that you paid in entirely, because the man who never loses his job and continues in employment has to pay his tax and he will never get it back, that is true, isn't it?

Mr. ANDREWS. Yes.

Senator CONNALLY. You are taxing him on the theory that the industry in which he is engaged ought to bear the hazard of the man who does lose his job. Now, why should not the president of the company contribute something to take care of the hazards of the people who lose their jobs, as well as the man who works with his hands?

Mr. ANDREWS. Because after all, he would be the man who would have to contribute I suppose to charity and so forth.

Senator CONNALLY. I know, but other people contribute to charity too.

Mr. ANDREWS. If this works out the way we think it will, we won't have to depend so much upon charity, and therefore if we set up a sound reserve, those people who now contribute to community chests of course will be relieved from such contributions.

The CHAIRMAN. The committee was told that the advisory committee unanimously agreed that there ought to be a limitation of this provision.

Mr. ANDREWS. We were thinking of it more from the administrative end.

The CHAIRMAN. That is a question which the committee will have to decide. Proceed, please.

Mr. ANDREWS (continuing):

10. ASSURING COLLECTION OF CONTRIBUTIONS WHEN EMPLOYERS BECOME INSOLVENT

Based on our experience in the administration of the workmen's compensation law and the difficulties of collecting payments due under awards under such law from insolvent employers and insurance companies, it is necessary to afford to the State in collecting any amounts due for contributions under unemployment insurance plans a preferential status over other and general creditors. Accordingly an amendment to the Federal Bankruptcy Act is recommended to provide a definite priority status in insolvency proceedings for amounts of contribution due from employers covered by any State

act to any State unemployment fund when such amounts are unpaid and owing to such State unemployment fund at the time of such bankruptcy or insolvency.

Although unemployment insurance does not provide a panacea, any bill should establish minimal standards and in our opinion nothing less should be encouraged by the Federal Government which has proposed a program of social security to the workers of the country. We recommend that minimum standards similar to those in the proposed New York State bill be incorporated in the Wagner bill as an additional condition to granting employers credit for contributions made under State laws and in order to avoid confusion, conflict, and the evasion of responsibility by the States in moving toward the goal of social security. Prompt action is urged in order to permit the enactment of suitable laws by States whose legislatures are soon to adjourn.

Senator BLACK. I would like to ask you just one question. There is a provision in this bill which was based on the theory that you can work out a system whereby an employer who stabilizes employment could get certain exemptions. Do you believe it is possible for that to be done fairly without having a constant pressure of lobbyists on both legislatures and on bureaus, to try to get certain exemptions?

Mr. ANDREWS. As I stated before, Senator, we say that at the end of the 3 years, the industrial commission shall make a report to the legislature as to whether such a thing would be feasible.

Senator BLACK. No; what I am getting at is this: Do you believe that from your experience that would give rise to a constant pressure on the part of certain employers on both the legislatures and bureaus to get exemption from part of those taxes? Isn't that human nature?

Mr. ANDREWS. Oh, yes; there is no doubt about that.

Senator BLACK. And where there is a loophole left for exemption, some will get it.

Mr. ANDREWS. That is true of all of our labor laws.

The CHAIRMAN. Thank you very much. Mrs. Mary T. Bannerman.

STATEMENT OF MRS. MARY T. BANNERMAN, CHAIRMAN COMMITTEE ON LEGISLATION, CONGRESS OF PARENTS AND TEACHERS, WASHINGTON, D. C.

Mrs. BANNERMAN. The National Congress of Parents and Teachers is an organization of a million and a half members with organized branches in every State except Nevada, and in the Territory of Hawaii, and the District of Columbia.

It was organized in 1897—

1. To promote child welfare in home, school, church, and community; to raise the standards of home life; to secure adequate laws for the care and protection of children.

2. To bring into closer relation the home and the school that parents and teachers may cooperate intelligently in the training of the child, and to develop between educators and the general public such united efforts as will secure for every child the highest advantages in physical, mental, and spiritual education.

This explains why we have not discussed or taken action on old-age pensions, and unemployment insurance, as they of course, do not deal directly with the welfare of children.

Regarding title II, "Appropriations for aid to dependent children", as far back as 1911 State branches of the National Congress of Parents and Teachers were interested in legislation providing assistance to mothers of children of tender years who were without means of normal support. Throughout the intervening years resolutions favoring such legislation have been repeatedly adopted at the annual conventions of State branches of the National Congress of Parents and Teachers. At the 1934 convention in Des Moines, mothers' pensions were recommended as a means of safeguarding the child. In none of our resolutions do we find that mothers' pensions as a Federal project have been considered. We are aware, however, that during the economic depression some States have become so impoverished that Federal assistance of this type seems desirable. We are thoroughly committed to local control and responsibility for child welfare. However, if a method of administration whereby such local control and responsibility may be retained and needs be more adequately met through the use of Federal funds, States desiring this aid, we believe, should be permitted to avail themselves of the opportunity offered through this or similar legislation.

Regarding title VII, section 701, "Maternal and child health," since the organization of the National Congress of Parents and Teachers in 1897, State branches have taken a vital interest in extending and strengthening provision for the health of mothers and children. The maternity and infancy bill enacted in 1921 was actively supported by this organization. Our national legislative program has carried each year since the expiration of the Sheppard-Towner Act provision for this type of cooperation between the States and the Federal Government. Statistics indicate that stimulation and promotion of more efficient services in this field through voluntary cooperation are important.

Section 702 "Care of crippled children." Provision for the care and education of crippled children has always been regarded by the National Congress of Parents and Teachers as one phase of work considered under the broader term "exceptional children." As so considered, the following resolution was adopted at the annual convention held at Hot Springs, Ark., May 1931:

We urge the United States Office of Education to make a survey of all exceptional children in order to gain a more complete knowledge of their needs, and to provide adequately for their care and education.

Many State school systems are doing highly commendable and effective work in caring physically for crippled children and at the same time providing an educational program designed to equip them as self-sustaining citizens. If this work is to be undertaken by the Federal Government, we believe that it should be coordinated with educational agencies now operating in this field as to aid rather than impair the fine work already being done. Provision for coordination of health and educational agencies is imperative in providing adequately for the needs of crippled children.

If "care of crippled children" is to be undertaken as a Federal project, definite provision, we believe, should be made in this bill not alone for their physical care by the Children's Bureau or State public-health agencies, but also for their education by regularly constituted educational authorities. The Federal agency having responsibility

for the education of these children should be the United States Office of Education and State plans for education developed to correlate with Federal plans should be prepared by State departments of public instruction and should be submitted to the United States Office of Education. It appears quite illogical to submit plans for the education of children to any agency other than one whose personnel has been trained for this particular task.

Section 703, Aid to Child Welfare Services; section 704, Participation by Children's Bureau.

The National Congress of Parents and Teachers regards a child-welfare division in State departments of public welfare as important in carrying out an effective child-welfare program within the States. Plans for the education of these children should be developed by regularly constituted educational agencies just as are welfare plans by welfare agencies. State plans for education should be developed by State departments of public instruction and submitted for approval to the United States Office of Education.

Regarding title VIII, "Appropriations for public health", rural sanitation is a project which the National Congress of Parents and Teachers has supported for many years. The drastic curtailment of funds for this work during the past 2 or 3 years has greatly impaired the health work done by State congresses of parents and teachers. The enactment of title VIII of this bill would make possible the training of personnel and setting up of an organization and program for a period of time long enough to demonstrate its value and thus induce State departments of health to make it a part of their permanent program.

The CHAIRMAN. Thank you.

The committee will meet again tomorrow morning at 10 a. m.

(Whereupon, at 12 o'clock noon an adjournment was taken until Tuesday, Feb. 12, 1935.)

ECONOMIC SECURITY ACT

TUESDAY, FEBRUARY 12, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met pursuant to adjournment, at 10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison, chairman, presiding.

The CHAIRMAN. I am placing in the record some statistics concerning the extent and amount of insurance in certain particular fields, submitted by Dr. Edwin E. Witte, of the Committee on Economic Security.

The following figures are for eight large group-insurance-writing companies estimated as of December 31, 1934:

GROUP ANNUITIES (APPROXIMATELY 98 PERCENT)

Number of master contracts.....	325
Number of active employees covered.....	290, 000
Amount of annual income payments at maturity.....	\$150, 000, 000
Amount of premium income for the year 1934.....	\$40, 000, 000

GROUP ACCIDENT AND HEALTH INSURANCE (APPROXIMATELY 60 PERCENT)

Number of master contracts.....	5, 000
Number of employees covered.....	1, 600, 000
Amount of weekly indemnity.....	\$18, 900, 000
Amount of premium income for the year 1934.....	\$19, 000, 000

GROUP ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE (APPROXIMATELY 85 PERCENT)

Number of master contracts.....	2, 500
Number of employees covered.....	800, 000
Volume in force.....	\$1, 200, 000, 000
Amount of premium income for the year 1934.....	\$2, 500, 000

INDIVIDUAL ANNUITIES (APPROXIMATELY 98 PERCENT) FOR 25 LEADING INSURANCE COMPANIES ESTIMATED AS OF DEC. 31, 1934

Number of contracts.....	500, 000
Amount of annual income at maturity.....	\$250, 000, 000
Premium income for the year 1934.....	\$300, 000, 000

Source: Letter dated February 9, 1935, from Mr. N. E. Horlick, director, group annuities, Equitable Life Assurance Society of the United States, addressed to Dr. E. E. Witte, Executive director Committee on Economic Security.

The CHAIRMAN. The committee will come to order. The first witness is Robert B. Irwin.

**STATEMENT OF ROBERT B. IRWIN, NEW YORK CITY, EXECUTIVE
DIRECTOR OF THE AMERICAN FOUNDATION FOR THE BLIND**

MR. IRWIN. I am an executive officer of the American Foundation for the Blind which is carrying on work for the blind throughout the entire country. Part of our task is to assist the different States in organizing agencies for the blind where they are needed, and to help the established organizations to improve their work.

There are a number of features in this bill that appeal especially to us that are interested in the blind. There are three suggestions that we would like to make of changes in the bill. One is in regard to the benefits extended to the aged people. We would like to suggest that blind people 50 years of age be entitled to the benefits extended to the seeing people of 65. That is a provision that has worked out very satisfactorily in the British old-age pension, and experience has shown that for the most part a blind person of 50 years of age, especially if he loses his sight around that period, is about as much handicapped economically as a seeing person of 65.

A further suggestion has to do with the definition of crippled children. I think that is in section 702. We would like to see the definition of crippled children so interpreted as to include children with a serious defective vision. Blindness or seriously impaired vision is perhaps as great a physical handicap as most other forms of crippled condition, and we feel that that should logically be included among the crippled children.

The prevention work for children with impaired vision is perhaps as satisfactory in its results as the prevention and curative work done for almost any other work of physically handicapped children.

The third provision which we would like to suggest has to do with the establishment of a Federal bureau somewhat similar to that contemplated for crippled children, but extending the same sort of Federal encouragement to State work for the blind in general as is proposed here to extend to crippled children. The proposal is concretely that there be set up a department under the Department of Labor, possibly under the Children's Bureau itself, a department which would extend aid to States in getting work for the blind established. We believe that \$1,500,000 should be appropriated for that purpose and be used in matching State money for constructive work with the blind throughout the country.

I might say that it is part of the responsibility of the American Foundation for the Blind to assist different States in getting State commissions or State departments for the blind established, and we have found it extremely difficult to get departments established at all, and when we have, the appropriations have been entirely inadequate to carry on the work in these new States. We have been responsible for establishing commissions for the blind under the State governments of Florida, Alabama, Mississippi, Iowa, and Texas, but the appropriations under those commissions are quite inadequate. I have prepared to have submitted to your committee a map showing where the work for the blind is carried on in this country under State and private support.

We figure that it costs us about \$25 per capita of the blind population per year to carry on adequate constructive work for the blind. There are only a few States in the northeasterly part of the United

States that are appropriating this amount. There are 10 States in this country that are appropriating nothing toward the care of the blind, 13 that are appropriating less than \$5 per capita of their blind population, and we feel that adequate service to the blind will not come into the country for generations, unless some form of Federal cooperation is made possible.

Senator GEORGE (acting chairman). Have you submitted formal suggestions covering the three points you have referred to?

Mr. IRWIN. Yes; I have that written.

Senator GEORGE. If you have that and desire to give it to the reporter, it will be included at this point in the record so that the committee will have the advantage of your suggestions.

Mr. IRWIN. I will submit the following proposed amendment:

PROPOSED AMENDMENTS TO S. 1130

OLD AGE ASSISTANCE

Title I, section 3, to be amended to read as follows:

SEC. 3. As used in this title, "old-age assistance" shall mean financial assistance assuring a reasonable subsistence compatible with decency and health to persons not less than sixth-five years of age who, at the time of receiving such financial assistance, are not inmates of public or other charitable institutions: *Provided*, That in the case of a person so blind as to be unable to perform any work for which eyesight is essential, and so certified by a regular practicing physician, skilled in diseases of the eye, the provisions of this act shall apply to such blind person at the age of fifty years.

CARE OF CRIPPLED CHILDREN (TITLE VII, SEC. 702)

After the words "crippled children" wherever they occur (subsection (a), lines 5 and 16, and subsection (b), line 6) the words "including children with seriously defective vision" to be inserted.

CARE OF THE BLIND (TITLE IX)

Sec. 901 (a). In order to enable the Federal Government to cooperate with the State agencies concerned with the amelioration of the condition of the blind and the prevention of blindness, especially in rural districts, there is hereby appropriated for the fiscal year ending June 30, 1936, from funds in the Treasury not otherwise appropriated, the sum of \$1,500,000, and there is hereby authorized to be appropriated \$1,500,000 for each fiscal year thereafter. From these amounts so much, not to exceed 5 per centum, as the Secretary of Labor shall find to be necessary for administering the provisions of this section and for investigations and reports related thereto, shall be deducted annually for this purpose, to be available until expended. The remainder shall be allotted to States for purposes of locating blind persons and providing facilities for diagnosis and care of their eye conditions, vocational training, employment, home teaching, and other social service, and to provide special equipment used in the education and employment of the blind: *Provided*, That no portion of such moneys shall be expended for direct relief, or paid to a blind person, except as compensation for services rendered or as a maintenance subsidy during a period of vocational training; nor shall any portion be paid to any educational institution for the instruction or maintenance of any person under the age of twenty-one. For each fiscal year from the appropriations herein authorized,

(1) The Secretary of Labor shall apportion \$1,000,000 among the States, allotting \$10,000 to each State, and the remainder to States in proportion to the number of certified blind persons registered in each State: *Provided*, That no allotment made to a State under this paragraph shall exceed the sum of the amount made available by the State for the purposes of this section and the amount apportioned to it under paragraph (2) of this subsection.

(2) The Secretary of Labor shall apportion the remainder among States unable, because of severe economic distress, to match in full the amounts allotted under paragraph (1) for their use in matching such sums or for special demonstrations of methods of welfare work for the blind.

(b) The sums provided under paragraph (2) of subsection (a) shall be available for expenditure until the close of the succeeding fiscal year. So much of the amount apportioned under paragraph (1) of subsection (a) to any State for any fiscal year as remains unpaid to such State at the close thereof, shall be available until the close of the succeeding fiscal year for expenditures in that State under the conditions prescribed in such paragraph (1), or, if not requested by the State agency for the welfare of the blind, for allocation to States as provided in such paragraph (2).

(c) In order to receive the benefits of this section a State must, through a State agency concerned with the amelioration of the condition of the blind or, if there be none or more than one such agency, through a State agency designated by the legislature or provisionally designated by the Governor if the legislature be not in session, to cooperate with the Department of Labor under the provisions of this section, submit to the Department of Labor a detailed plan for effectuating the purposes of this section within such State, information concerning the number of certified blind persons resident in the State, and information concerning the amounts made available by the State for the purposes of this section which should at least equal the amounts made available for similar purposes during the fiscal year next preceding the passage of this Act, unless special circumstances can be shown; and, if an allocation under paragraph (2) of subsection (a) of this section is requested, the conditions leading to such request. A State plan must include reasonable provision for State administration, adequate facilities for locating and certifying blind persons, adequate medical care of the eyes, reasonable provision for vocational training, employment, and home instruction of the blind, and cooperation with medical, health and welfare groups and organizations. When the Secretary of Labor deems a State plan and the administration thereof to be in reasonable conformity with the provisions of this section, he shall approve the same and send due notice of such approval to the State agency concerned.

(d) For the purposes of this section, a blind person shall be defined to mean one whose vision is insufficient for the ordinary activities of life for which eyesight is essential, such insufficiency of vision to be determined by examination by a regular practicing physician, skilled in diseases of the eye; provided that such examining physician shall certify in writing the diagnosis, prognosis, and visual acuity of the person examined, and shall state whether in his opinion such person is blind within the meaning of this Act and whether there is any likelihood that his vision could be restored or improved by proper treatment, operation, or adjustment of glasses.

PARTICIPATION BY DEPARTMENT OF LABOR

SEC. 902. (a) Out of the amounts authorized in this title the Secretary of Labor is authorized to employ such experts, assistants, clerks, and other persons in the District of Columbia and elsewhere, to be taken from the eligible lists of the Civil Service Commission, and to purchase such supplies, material, equipment, office fixtures, and apparatus, and to incur such travel and other expenses as it may deem necessary for carrying out the purposes of this title. It shall be the duty of the Secretary of Labor to make or cause to be made such studies, investigations, and reports as will promote the efficient administration of this title.

(b) Within thirty days after an appropriation has been made under the authority of this title, the Secretary of Labor shall make the apportionments on the basis of certified registered blind persons as provided herein, shall certify to the Secretary of the Treasury and to the treasurers of the several States the amounts apportioned for the purposes specified, and shall certify to the Secretary of the Treasury the amounts estimated by the Secretary of Labor to be necessary for administering the provisions of this title.

(c) Within sixty days after any appropriation authorized by this title has been made, and as often thereafter while such appropriation remains unexpended as changed conditions may warrant, the Secretary of Labor shall ascertain and certify to the Secretary of the Treasury and the Treasurer of the United States the amounts to which each State is entitled under the provisions of this title, in accordance with plans submitted by the States and approved by the Secretary of Labor. Such certificate shall show that the State has complied with all requirements of the pertinent sections of the title. When in conformity with the provisions of the title such certificate, until revoked as provided in subsection (d) hereof, shall be sufficient authority to the Treasurer to make payment to the State in accordance therewith.

(d) Each State agency cooperating with the Department of Labor under the provisions of this title shall make such reports concerning its operations and expenditures as shall be prescribed or requested by the Department. The Department, after due notice in writing, setting forth the reasons therefor, may revoke any existing certificate provided for in subsection (c) whenever it shall determine that any State agency has not properly expended or supervised the expenditure of moneys paid to it for the purposes and in accordance with the provisions of this title.

(e) The Secretary of Labor shall perform or cause to be performed under his supervision the duties required for the carrying out of the provisions of this title and shall include in his annual report to Congress a full account of the administration of this title and expenditures of the moneys herein authorized.

(f) As used in this title, the term "State" shall include Alaska, Hawaii, Puerto Rico, and the District of Columbia.

[NOTE.—In case the duties prescribed under this title can be assigned to the Children's Bureau, we suggest renumbering sec. 901 under title VII and omitting sec. 902.]

I would like to take just a minute to have Miss McKee of our staff show you the map which we have prepared, just to give you a graphic indication of what is being done for the blind constructively through out the country. This does not cover relief work. This work that is shown on this map is constructive work for finding employment for those who lose their sight in adult life.

SUPPLEMENTARY STATEMENT SUBMITTED BY ROBERT B. IRWIN, EXECUTIVE DIRECTOR, AMERICAN FOUNDATION FOR THE BLIND, INC., NEW YORK, N. Y.

SUGGESTED AMENDMENTS TO S. 1130 TO EXTEND ITS BENEFITS TO INCLUDE BLIND PEOPLE

The American Foundation for the Blind, which is a national organization carrying on work in behalf of the blind in the United States, is especially interested in the general principles underlying Senate bill 1130. We have appeared here today to suggest certain modifications in this bill in order to extend its benefits to the blind as well as to the crippled and aged. There are three proposals which I would like to bring to your consideration:

1. I would like to suggest that a clause be inserted in title 1, section 3, providing that a blind person receive the old-age benefits beginning at age 50 instead of at age 65. Experience in both the United States and Great Britain has shown that owing to their tremendous handicap, most blind men of 50 years of age are quite as much disadvantaged economically as are seeing men of 65. I would suggest, therefore, that we adopt the plan followed in the British old-age pension, namely, that of extending to blind people of 50 years of age, the benefits conferred upon seeing people at the age of 65. This would not greatly add to the financial burden of the law, but would be an act of far-reaching mercy to a considerable number of blind people in this country for whom it is extremely difficult to find ways of earning their living after they have passed the fiftieth year.

2. We would like to propose that the phrase "crippled children" in section 702 be interpreted to include children who are crippled by reason of serious impairment of vision. I believe that the logic of this is apparent. There are few forms of disability more handicapping than that of blindness. One of the most encouraging aspects of the situation, however, is the fact that a very large percentage need not be blind if adequate care is provided at the proper time. Probably prevention methods are more effective in this group than in any other group of physically handicapped children. I hope, therefore, that the committee will find it possible to reword section 702 so as to insure that children with a serious defect of vision will not be excluded from the benefits of the law.

3. I would most urgently commend to your serious consideration the insertion of a new title, perhaps as title 9. This proposal is that arrangements be made for Federal cooperation in organizing and developing work for the blind throughout the country, especially in the States having a very large rural population.

Contrary to common impression, the blind people have been very much neglected in many parts of this country. Adequate provision has been made for the education of blind children in every State, but constructive work for adult blind people is entirely absent in 10 States and is almost negligible in 13 others.

A constructive program for the blind includes medical care for the eyes, if sight can be restored or improved, vocational guidance and training, placement, sheltered employment, home instruction in Braille (the embossed type used by the blind) social service, and care of blind children of pre-school age. It is estimated that an adequate program of this sort requires an average annual expenditure of \$25 per year.

Aside from humanitarian reasons, such a program is in the long run an economy, for it will result in restoration of sight to hundreds of blind persons, with consequent restoration to economic independence, and will also enable thousands of others to become wholly or partially self-supporting and relieve the community of the burden of their dependency.

This map shows expenditures in 1934 for work for the blind, both publicly and privately supported, exclusive of education of the young blind and relief from public funds.

The six States shown in black spent in 1934 more than \$25 per blind person. Massachusetts heads the list with an expenditure of about \$70 per blind person.

The 19 States in the dark shading spent from \$5 to \$25 per blind person in 1934. The 13 States shown in light shading spent less than \$5 per blind person, an amount obviously inadequate for a constructive program; and the 10 States shown in white spent nothing at all for the economic rehabilitation and social adjustment of their blind people.

We are suggesting that under the Department of Labor—possibly under the Children's Bureau itself—there be created a Department for the Blind which will cooperate in establishing State work for the blind in every Commonwealth of the country. We are suggesting that \$1,500,000 be appropriated annually to be used in matching sums appropriated by the States for the conduct of well organized and well conceived State agencies for the blind.

After 12 years' experience in helping to organize work for the blind in all parts of the country, we at the American Foundation for the Blind have reached the conclusion that unless Federal aid can be secured for these States their blind citizens will be left in darkness and idleness for generations.

Gentlemen, I hope you will help us to eliminate those broad expanses of white on the map which indicate a shameful neglect of the blind.

EXPENDITURES FOR WORK FOR THE BLIND FROM PUBLIC AND PRIVATE FUNDS, BY STATES, 1934

(Excluding relief from public funds and education of the young blind)

More than \$25 per blind person.—Connecticut, Delaware, Massachusetts, Missouri, New Hampshire, New York.

From \$5 to \$25 per blind person.—California, Colorado, Illinois, Indiana, Kentucky, Louisiana, Maine, Maryland, Michigan, New Jersey, Ohio, Pennsylvania, Oregon, Rhode Island, Utah, Vermont, Virginia, Wisconsin, Wyoming.

Less than \$5 per blind person.—Alabama, Florida, Iowa, Kansas, Minnesota, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Washington, West Virginia.

No expenditure.—Arizona, Arkansas, Georgia, Idaho, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Dakota.

Senator GEORGE. The map may be left with the secretary of the committee. I do not know that it can be incorporated in the record, because there is some difficulty about incorporating these maps in the record, but we will have it for reference.

I understand you have another witness who you wish heard at this time?

Mr. IRWIN. Yes; if he can be heard, Mr. Lewis H. Carris.

STATEMENT OF LEWIS H. CARRIS, MANAGING DIRECTOR, NATIONAL SOCIETY FOR THE PREVENTION OF BLINDNESS, INC.

Mr. CARRIS. I shall be very brief, Mr. Chairman. The National Society for the Prevention of Blindness approve the suggestions which Mr. Irwin has made. We of course are particularly interested

in the prevention of blindness. We are concerned with the amendment of section 702 (a) to the end that the term "crippled children" shall be construed to mean, or the words shall be added including children with seriously defective vision. That would enable the States to do the work for those who are partially blind, which would be very helpful in alleviating the condition of those children. That I shall leave as a suggestion for an amendment to section 702 (a).

The other is the amendment to the economic security act which will provide aid for the blind and which has been proposed by Mr. Irwin and his associates, which is acceptable to those interested in the prevention of blindness, since the Federal grant carries the provision that these funds may be used whenever sight may be restored by medical or surgical services.

I should like to file a suggested amendment to section 702 (a) of the economic security bill as follows:

The National Society for the Prevention of Blindness has always been concerned with that group of children having seriously defective vision from two points of view:

(1) That these children, who are not blind, but have too little sight to be educated in regular school classes, shall secure an education which shall fit them for life.

(2) That the eye condition of such children shall be helped whenever possible by medical or surgical attention to the end that they may not finally become blind.

The child with seriously defective vision deserves help equally with the child seriously crippled from any cause. Section 702 (a) of title VII of the economic security bill provides for Federal aid to cooperating States for crippled children. We pray that this bill may be amended by adding the words "including children with seriously defective vision", wherever the words "crippled children", appear in section 702 (a) of the economic security bill.

Senator GEORGE. The committee may be able to take the testimony of the other witnesses that you have before we conclude the morning hearing, although there are a number of witnesses and it looks rather doubtful. We will try if possible to do so.

Mr. CARRIS. The president of the American Association of Workers for the Blind and also the president of the Association of State Executives are the State commissions for the blind and would like to say just a few words if they may have the opportunity.

Senator GEORGE. We will try to have them heard this morning. I am not certain. I am sorry that we cannot work it into the hearings consecutively so that it all appears in one part of the record. Thank you very much.

The CHAIRMAN. The next witness is John W. Studebaker, Commissioner of Education, Interior Department.

STATEMENT OF DR. JOHN W. STUDEBAKER, COMMISSIONER OF EDUCATION, INTERIOR DEPARTMENT, WASHINGTON, D. C.

Mr. STUDEBAKER. I can pursue either 1 of 2 courses, Mr. Chairman, and I shall be glad to leave it with you to decide which of the two I should follow. I can expedite the hearings by providing without reading two statements which if I should read would require perhaps 10 minutes. I can make therefore a few preliminary explanations and then file these two statements if you should prefer that procedure, or I can read the two statements if you should care to discuss them with me.

The CHAIRMAN. The committee will leave that with you. You may file the statements for the record. Of course the full committee is not here this morning, as you see, but if you wish to insert them in the record, you can make a preliminary statement regarding them and put them in the record.

Mr. STUDEBAKER. Perhaps that would save your time.

My purpose in general is to present some suggestions which will preserve all of the purposes of sections 702 and 703 of title 7 of the bill as I understand the broad purposes to be (namely, to provide for the medical and physical care of certain types of children and certain aspects of "child welfare work", so called), and which will at the same time clarify the phrasing used in the measure so that it is clear that under the auspices of the Children's Bureau the work done for children would be confined to medical and physical care and so-called "general welfare" among defective and delinquent children.

Senator COUZENS. Are you only going to discuss the children's phase of it?

Mr. STUDEBAKER. That is right. Then in addition to presenting the suggestions which I think will clarify the ambiguity in those two sections, some of which result from the use of such a phrase as "and other services", I am suggesting for your consideration the provision of educational services, stated specifically as such, in order that, if such security is provided for the children as may be given to them first by physical rehabilitation and second by education, we shall have carried the process to the point where that kind of self-reliance is given to children which really enables them to feel some degree of security in the world.

Senator COUZENS. Is it not a fact that many of the States are giving these crippled children an education?

Mr. STUDEBAKER. One of the statements, Senator, which I shall file will provide some facts on that. Our records show that only 16 States up to 1931 had provided legislative authorization for the education of crippled children, while only 19 had provided legislative authorization for education of blind or partially seeing children in local school systems. As against the 16 States which have provided legislative authorization for the education of crippled children, only 12 among the 16 were providing financial assistance to the local communities in support of education of crippled children.

I show in the facts which I am filing that while there may be approximately 300,000 crippled children alone, using "crippled" in the sense of abnormalities of muscles and bones, not of hearts and eyes, and so forth—of 300,000 crippled children, perhaps 100,000 need special school facilities, and only about 17,000 have them.

I am convinced, for one, after having a good deal of personal experience with this problem, that it is of such a highly specialized nature that the States need stimulation by the Federal Government in order to enact legislation that will wipe out the tariff barriers of boundary lines among the school districts and let these children move freely over the State to find those locations which local communities will eventually provide in which they can be given a fair chance. Wherever progressive legislation in behalf of physically handicapped children has been provided, that basic principle is involved, that is the State steps into the picture to make up to the local communities all or a large part of the difference between the cost in that local community

of educating the physically handicapped child and the cost of educating the so-called "normal child." That takes the burden off the local communities of doing what is really a State problem.

The question I presume that you will have to face is the extent to which you will consider this to be a national problem, but I can see that with a relatively small sum of money judiciously distributed to the States there would be provided to all of the States such a stimulus to enact that kind of legislation as to bring about within 4 or 5 years great progress not only in physical rehabilitation as provided under sections 702 and 703 with the amendments I have suggested, but, carrying the process further, in giving these youngsters a fair chance in education.

The CHAIRMAN. Was this proposition presented to the committee?

Mr. STUDEBAKER. I should explain that I have been here only a short time and by the time I arrived the report was concluded, so far as I know. We were not asked to contribute but I think nobody was to blame for that.

The CHAIRMAN. Have you presented the matter to the Ways and Means Committee of the House?

Mr. STUDEBAKER. Yes, and I consulted some members of the committee on economic security after we discovered these statements.

The CHAIRMAN. What is the amount that you suggest?

Mr. STUDEBAKER. My first suggestion is to clarify certain ambiguous phrases in the bill, with the consequent elimination of any possible involvement of education from the provisions of sections 702 and 703 of title 7. My second suggestion is to add a new title to the bill making an annual appropriation of \$10,000,000 for educational provisions for physically handicapped children, to be administered by the United States Office of Education as the appropriate Federal agency.

The CHAIRMAN. We will put into the record the suggested amendments.

Mr. STUDEBAKER. Yes, sir. I have these two statements which I have not taken the time to read.

The CHAIRMAN. They will be incorporated in the record as part of your testimony.

(The statements referred to are as follows:)

MEMORANDUM REGARDING S. 1130, KNOWN AS THE "ECONOMIC SECURITY BILL"

Title 7 of the bill includes section 702 on the care of crippled children and section 703 on aid to child-welfare services. In each of these two sections it is assumed that the responsibilities involved, which are assigned to the Children's Bureau in the Department of Labor, relate only to the physical welfare of children and to those services commonly known as "child-welfare" services. Yet in several instances the phraseology is so indefinite and vague that considerable confusion will arise in the administration of the provisions of the bill, should this phraseology be allowed to remain in the measure. Educational, health, and welfare services are so intimately related that the utmost caution needs to be observed to obviate duplication and overlapping of functions among the separate agencies concerned.

During recent decades, educators have come to recognize that schoolroom activities dealing with the ordinary subjects of the curriculum are frequently made less effective if not actually nullified by what goes on outside the schoolroom. In consequence of this, schools have developed various types of educational programs designed to serve the needs of crippled, delinquent, and otherwise handicapped children. Such programs include:

(1) Parental schools providing a 24-hour program for children presenting behavior problems which cannot be satisfactorily adjusted under existing home conditions.

(2) Schools employing visiting teachers who combine excellent education with social work techniques and go into the homes to discover the conditions which tend to prevent children from doing well in school.

(3) Appropriate school services for the socially maladjusted and the mentally retarded, in which groups it is assumed that children designated in the act as those "in danger of becoming delinquent" would be included.

(4) Schools offering special services for crippled children. Such schools, for example, as those in Chicago, Detroit, Des Moines, and many other cities, are not only examples of excellent education but they illustrate also the appeal which the welfare of these unfortunate children has to the hearts of the communities in which they live. In the furtherance of coordinated educational programs, school buildings have been equipped with modern facilities for such medical, orthopedic, and nursing care as crippled children may need throughout the school day.

(5) Schools developing programs of adult education, especially parental education, in the hope of uniting the intelligent efforts of parents with the efforts of the teachers in better understanding and educating the children.

In view of the situation indicated above, it is believed appropriate steps should be taken to effect two changes in the bill, as follows: (1) Clarification of certain ambiguous phrases, with the consequent elimination of any possible involvement of education from the provisions of sections 702 and 703 of title 7; (2) addition of a new title making an appropriation for educational provisions for physically handicapped children, to be administered by the appropriate Federal agency. The following suggestions relating to the details of each of these changes are hereby submitted for consideration and endorsement:

A. Changes needed to clarify ambiguous phrases and to eliminate education from involvements of present bill:

1. Section 702 (a) (p. 54, line 4), change the phrase "medical care and other services for crippled children" to "medical care and other services for the physical welfare of crippled children."

2. Section 702 (a) (p. 54, lines 16 and 17), change the phrase "facilities for diagnosis and care, hospitalization, and after care" to "facilities for medical diagnosis and physical care, hospitalization, and convalescent care."

3. Section 702 (b) (p. 55, line 5), change the phrase "medical care and other services for crippled children" to "medical care and other services for the physical welfare of crippled children."

4. Section 702 (b) (p. 55, lines 16-18), change the phrase "facilities for locating and diagnosing children * * * and after care" to "facilities for location and medical diagnosis of crippled children * * * and convalescent care."

5. Section 703 (a) (p. 56, lines 6-8), change the phrase "welfare services for * * * dependent and neglected children and children in danger of becoming delinquent" to "child welfare services for * * * dependent neglected, and predelinquent or delinquent children."

B. Suggestions for an additional title to be added to the bill, to provide for the education of physically handicapped children:

1. In order to enable the Federal Government to cooperate with the State agencies concerned with the education of physically handicapped children, there is hereby appropriated for the fiscal year ending June 30, 1936, from funds in the Treasury not otherwise appropriated, the sum of \$10,000,000, and for each fiscal year thereafter there is authorized to be appropriated \$10,000,000, same to be allocated to the United States Office of Education in the Department of Interior to be expended for the education of physically handicapped children as herein-after provided.

2. For the purposes of this Act physically handicapped children shall include the crippled, the blind and partially seeing, the deaf and hard of hearing, children having cardiac difficulties, children having tuberculous tendencies, and other children who are physically handicapped to the degree that they need special educational facilities.

3. From the amount appropriated, so much, not to exceed 5 per centum, as the United States Office of Education shall find to be necessary for administering the provisions of this section and for investigations and reports related thereto, shall be deducted annually for these purposes to be available until expended.

4. The remainder shall be allotted to the States on the basis of population, for providing education and educational facilities for physically handicapped children: *Provided*, (a) That no allotment under this subsection shall exceed the sum made available by the State or local community, or both, for purposes of this section.

(b) That in every case the State shall present proof that there is either embodied in the statutes of the State or otherwise provided a specification designed to assist local school units in carrying the excess burden of cost involved in the education of physically handicapped children over and above that required for educating normal children.

(c) That a State plan be set up for administration of funds and for their equitable distribution regardless of locality, race, color, or economic status of the children concerned; for supervision of the work done; for necessary interschool or inter-district arrangements; for transportation; and for other provisions essential to the carrying out of this Act.

(d) That allotments within the State may be made in conformity with population distribution, administrative organization, and other factors conditioning educational costs

(e) That not more than 25 per centum of the fund allocated to any State shall be used for residential schools or institutions for physically handicapped children.

5. When the Commissioner of Education deems a State plan and the administration thereof to be in reasonable conformity with the provisions of this section, he shall approve the same and send due notice of such approval to the Secretary of the Interior and the State agency concerned

FACTS CONCERNING EDUCATIONAL FACILITIES FOR PHYSICALLY HANDICAPPED CHILDREN, SUBMITTED BY JOHN W. STUDEBAKER, U. S. COMMISSIONER OF EDUCATION

A. Figures showing approximate incidence of physically handicapped children needing special educational care, and approximate number now enrolled in special schools and classes of either day school or residential type.

	Incidence	Enrollment in special schools and classes
Crippled children.....	100,000	17,000
Blind or partially seeing.....	65,000	11,000
Deaf or hard of hearing.....	350,000	21,000
Tuberculous, pretuberculous, cardiac.....	1,000,000	50,000

Figures based on findings of White House Conference of 1930 and Biennial Survey of the Office of Education. They are estimates only, since no adequate census has ever been made. A comparison of these figures (incidence with enrollment) shows the tremendous need for increased educational facilities for physically handicapped children who need special services.

B. Approximate average per pupil cost of educating certain groups of physically handicapped children in special day classes (exclusive of cost of buildings or permanent equipment):

Crippled.....	\$200
Blind.....	375
Partially seeing.....	200
Deaf.....	350
Tuberculous, pretuberculous, cardiac.....	125

Figures taken from Biennial Survey of Office of Education. They show the great need for special assistance to local communities in meeting the excess cost of educating physically handicapped children over and above the cost of educating normal children.

C. Number of States giving legislative authorization and special financial aid for special education of certain types of physically handicapped children in local school districts.

	Number of States	
	Legislative authorization	Special financial aid
Crippled.....	16	12
Blind or partially seeing.....	19	12
Deaf or hard of hearing.....	19	14
Tuberculosis, pretuberculosis cardiac.....	12	4

Figures taken from study published by Office of Education in 1931; they show the need of Federal aid to promote and develop the educational program in the States for physically handicapped children.

EXAMPLES OF PROGRESSIVE STATE LEGISLATION AFFECTING EDUCATION OF PHYSICALLY HANDICAPPED CHILDREN, SUBMITTED BY JOHN W. STUDEBAKER, UNITED STATES COMMISSIONER OF EDUCATION

Maryland.—And wherever the city of Baltimore or any of the counties of the State shall inaugurate a special program of instruction under standards, rules, and regulations, of the State board of education to meet the needs of any child whose handicap is physical only and whose needs are not met by ordinary school facilities, the city or counties so providing the same shall be entitled to receive, toward the cost of teachers, special equipment, nursing, therapeutic treatment, and transportation, an amount not to exceed \$200 per child, to be paid by the State of Maryland out of a special fund to be appropriated for such pur-

pose in the State public-school budget. The State superintendent of schools shall ascertain the respective amounts the city of Baltimore and the counties shall be so entitled to receive from the State under this section, and when such amounts are so ascertained, the State superintendent of schools shall certify the same to the State comptroller.

Wisconsin.—In excess of \$70 per child * * * the amount apportioned to any board shall not be in excess of the following * * *: (a) For each pupil residing in the district and attending * * * such day school * * * or * * * class for the deaf or blind, \$250; for children physically disabled, \$300; (b) for each pupil residing outside the district, but within the State, who attends * * * such day school or class * * * \$400; for children physically disabled, \$450. (Transportation for the physically disabled is also furnished.) (Laws of Wisconsin, 1927, ch. 488.)

California.—The average daily attendance of physically handicapped pupils shall be included in the total average daily attendance of the district for purposes of the usual State and county apportionments on average daily attendance and teacher units. In addition to the above apportionments the State and county will reimburse the district for the amount of the excess cost of educating physically handicapped children when the cost is more than the average cost of educating a normal child in said district. Such reimbursement, however, cannot exceed \$100 each from the State and the county for each unit of average daily attendance of physically handicapped children. Excess cost is determined by computing the difference between regular classes and the average current expenditure for each unit of average daily attendance of physically handicapped pupils. The district must furnish the buildings and equipment, as items expended for capital outlays cannot be included in figuring the cost of this special instruction. (Abstract of law.)

The CHAIRMAN. The next witness is Francis D. Tyson, Professor of Economics, University of Pittsburgh.

**STATEMENT OF FRANCIS D. TYSON, PROFESSOR OF ECONOMICS,
UNIVERSITY OF PITTSBURGH, PITTSBURGH, PA.**

Mr. TYSON. I may say, gentlemen, that I have been a member of the State committee on unemployment reserves, and I should like to address my brief remarks particularly to the unemployment compensation sections of this act.

I would like first of all to pay a tribute as a student to the courage and wisdom of the President in launching this economic security program to protect the citizen as he put it, from the major hazards and vicissitudes of modern life through having us devote our attention this winter to the enactment of social-insurance measures.

Social insurance has been an institution operating practically in Europe for 50 years but is relatively unfamiliar with us; but in Pennsylvania, as Senator Guffey knows, we have been working for 20 years with these measures. Our first experience began in 1915-16, with the unemployment compensation commission and the enactment of our compensation law.

I think, gentlemen, you have brought the issues out of the field of economic and commission discussion into the field of practical experiment. The omnibus bill, as I read it, seems to be quite ingenious and very constructive from the standpoint of the adoption of a national program in general, in old-age security, and children's assistance phases. It seems to me the old-age security provisions leave little or nothing to be desired.

I would, if there is time, just suggest one or two possible minor adjustments. I should think that rather than have the old-age pensions identified with the Federal Emergency Relief Administration it might be well if you should consider establishing an independent

old-age pension commission in line with the established Federal tradition or at least give it autonomy until a Federal department of welfare has been set up nationally. Our claim for working for unemployment assistance with Mr. Davison as administrator in Pennsylvania since 1915, and the program which we adopted partially at the last session, and what the Democratic administration will now extend, makes the claim that we are establishing the self-respect of these needy people, and I think it unfortunate that that emphasis should be lessened by having the administration identified with that emergency relief administration.

THE CHAIRMAN. Would you make this social board on unemployment insurance independent of the Department of Labor?

MR. TYSON. That brings up another issue, of course. I was referring to the initial section with regard to old-age assistance. With regard to old-age security, I think I favor your judgment if you indicate it by your question, that the social insurance board because of fiscal problems, I think it might be located independently, according to our Federal tradition establishing the Interstate Commerce Commission, the Federal Reserve Board and other commissions. And I think recently the Aviation Commission was so treated. I think it might be in the Treasury rather than the Labor Department since it involves citizens rather than the labor interests.

SENATOR CAPPER. Do you think this program protects the rights and privileges of the States to the extent that it should?

MR. TYSON. Yes, sir, and rather more than it may to get the best results. I would like to address myself particularly to that issue.

SENATOR CAPPER. There is no reason why the States should be alarmed at anything in this bill.

MR. TYSON. Not in the least. They have the very broadest powers. Under the terms of the unemployment compensation sections, nearly everything is left to the States. Question has been raised whether the Federal Government might not legitimately go a little further in setting minimum standards to avoid lack of uniformity and extreme diversity among the States, which of course would make things difficult for the worker who travelled from State to State, and I remind you that the American working population is very mobile. I would like to recur to that matter in a few moments, if I may.

It seems to me that in rather marked contrast to the old-age security sections of the bill no. 1180, the unemployment compensation sections are rather confused, involved and in a measure contradictory. On January 25 in his message on conservation of natural resources, the President said, "only through the growth of thought and action in terms of national economics can we best serve individual lives in individual localities." I have a great admiration for the constructive way in which our national administration has assumed responsibility for unemployment in this disaster, both with regard to Mr. Hopkins' F. E. R. A. policy, and in regard to Mr. Ickes' public-works program. That same assumption of national responsibility is, I think, assumed in old-age pensions and old-age security and other specific assistances of your bill, but unfortunately that seems not to be the case in the very important unemployment compensation sections, sections 406, 602 and following.

Of course a good many of us have thought in the past, although I admit the ingenuity of this bill, that it might be well from the standpoint of our national tradition to separate the tax feature, the excise tax in this case, from the payment of Federal funds to the States. You recall the tradition established in the Smith-Hughes measure for education and the Smith-Towner Act, and latterly in the Wagner-Peyser bill in the establishment of Federal employment offices. Whether that is practical or not, I cannot say. And that the experts on the committee on economic security and the advisory committee were divided on the issue, with the majority in each case thinking that it was practicable to separate tax measure and subsidies in order to permit more effective standard setting among the States, to exercise a large degree of Federal supervision over the minimum standards set in the State lines. Such supervision certainly would assure a grater measure of uniformity and meet more effectively what we have found in our Pennsylvania commission to be the most effective argument against action by the States. Both the bituminous coal operators in western Pennsylvania and the textile employers in eastern Pennsylvania complained that it was unfair to ask them to assume the 2 or 3 percent pay-roll burden when other and less progressive States enacted no such pay-roll contribution. One of the difficulties I can see in action by the States, which will be very diverse under the terms of this law, is that some States may enact a 1 percent pay-roll reserve, some 2 percent and some the full 3 percent. In that case the obstacle of interstate competition would still be a real obstacle. Perhaps it has been magnified and employers have exaggerated the increase in pay-roll cost and in total cost from the imposition of so slight a tax.

I admit under our Federal system the need of a good deal of elasticity and experimentation among the States, and I will say frankly and I believe this bill has a slight bias in the direction of the encouragement of the Wisconsin idea for experiment by the employers under an exclusive pay-roll contribution to stabilize their employment, and I would like to see the Wisconsin idea furthered under the terms of the bill so that at least we may see whether it will or will not work.

The CHAIRMAN. You think it should be broad enough to make it optional with the States as to what plan they adopt?

Mr. TYSON. Yes, I think that should be done and at the same time secure this other objective of a degree of uniformity that will prevent waste and loss and relative chaos in the administration of our national unemployment system. I will have a work to say about that a little later if I may.

The real issue, as you know, is whether the States shall adopt plans calling for exclusive employer reserves of 1, 2, or 3 percent under the terms of this bill, or bills of the Ohio type where the penalties of the employers who have unstable employment. The theorists who advocate this measure claim it would stimulate those employers to find ways and means of reducing the penalty by stabilizing their employment. Of course, considerable debate, as you know, has gone forward for some years on that issue. It is interesting that more and more support has been given among the experts to the State pool idea. An instance, particularly, is the reversal of an earlier commission position in the most recent Massachusetts commission on unemployment reserves, the recent report of the New Hampshire com-

mission, Dr. Feldman of Dartmouth and even the more trenchant and effective reversal of the Minnesota report, the leader in the preparation of which was Mr. Hansen who I believe has already been before you, now connected with the State Department.

The CHAIRMAN. Yes; he has been before the committee.

Mr. TYSON. I do agree that there should be a degree of experimentation made possible insofar as that does not lower standards too far. Some of us believe that the claim for the Wisconsin plan has been greatly exaggerated, and that the individual employer or the single industry face very definite limits with regard to what may be done in reducing the incidence of employment. America is a dynamic country, not only with diverse climate, and, as you know, seasonal unemployment as related to climatic conditions as well as to style and fashion change. In the face of those general psychological changes or political changes, the individual employer and the individual industry is relatively helpless. Similarly with regard to the rapid pace at which a technological change is made and technological unemployment occurs, it is pretty hard to see how an individual employer or a single industry can do more than mitigate or slow up those changes, and of course the incidence of cyclic changes or a depression on employment as in the last 4 years leaves the individual employer or industry helpless before the burden of involuntary idleness of workers.

I realize that the bill does make some very constructive provisions mitigating somewhat the exclusive emphasis of the Wisconsin law. I refer to the 1-percent pool device and the incentive provided for guaranteed employment through the offset credits in the excise tax. Whether this measure will prove as effective as would direct subsidy if the social insurance board, figuring that the States may make certain standards as is now the case under the Smith-Hughes Educational Act or the Wagner-Peyser Employment Act, remains to be seen. Some of us would prefer the continuing of the established practice which is undoubtedly, my lawyer friends, constitutional. The Federal Government taxing, the Federal Government offering assistance in the terms of the restriction in the maintenance of the definitely defined and supervised standards.

With regard to the standards, I may say that there is not in the present bill adequate safeguard against the passage and administration of rather loose State laws. That is, there is no definition as to minimum benefits, waiting period, or coverage in the bill as written. I fear that such poor State administration unchecked by the standard setting device of the Federal Government might result in the dissipation of funds, the failure to pay guaranties, or too meager benefits, in which case the high promise given by President Roosevelt and by the administration could not be fulfilled. The result might be a political boomerang in terms of the dissatisfaction and discontent of the workers who promised assistance, which you know under the Wisconsin measure is not fulfilled. You realize that the maximum benefits under the Wisconsin law are only \$100. The employer establishes a reserve of 2 percent for only \$55 per worker, and the number of workers represents only the steadily employed group. His contribution applies to earnings on \$75 and then ceases. Wisconsin cannot even guarantee those promised payments in the absence of a State pool.

Senator COSTIGAN. Do you recall the waiting period under the Wisconsin law?

Mr. TYSON. Yes, sir; two weeks. The Ohio law in contrast, Senator Costigan, provided three. Three or four seems to most of us necessary. There is or has been a great deal of conservative criticism of course with regard malignering, but I do not believe that the American workers would voluntarily stay out of work to receive, and the bearing of the cost of unemployment for 3 or 4 weeks, half or such of their wages.

Of course, in insurance you get exactly what you pay for, as Dr. Leiserson remarked in the Harrisburg State labor meeting recently. I asked myself why I do not carry \$100,000 of life insurance; I should, because I have a large family. My only answer is this: I cannot pay for it.

It seems to me this unemployment is national; a community, a national, a social problem; our main problem is to provide some adequate agencies to meet that part of its cost which can be covered by this mechanism of unemployment compensation or insurance, and I should like to be sure that the bill provides what I hope we may get in Pennsylvania, the 3-percent minimum employer pay-roll contribution plus a 1-percent employee participation. I realize that economically, Senator Costigan, it makes very little difference. The employer pays a tax immediately and then if economies do not ensue from the adoption of the measure, he passes it on to the consuming public and the risk is spread over the whole of America, so that economically an employee contribution is simply enforced savings from the peak of prosperity to the trough to increase the benefits available when employment is denied.

But the only intensive study that has been given in America, unfortunately, is actuarial study in Ohio where through the university and the State government, very effective employment and unemployment figures existed, and that study, which I have been over and believe to be sound, reached the estimate of the 3-percent contribution which they thought was all the fund would bear at the time they proposed the act 2 years ago to provide benefits of the maximum of \$15 a week for 10 weeks, and that 4-percent, if you could have gotten the employer and the worker to share 50-50—say 2 and 2 or even $2\frac{1}{2}$ and $1\frac{1}{2}$ —that the benefits could have been extended to 26 weeks giving appreciable protection.

I am not quite sure from a review of the testimony in the New York Times whether it will be sure that the States have opportunities to adopt more liberal measures and have the workers decide on participating as did the workers of England and Germany and those more adequate assistances.

Senator COSTIGAN. The safeguards proposed would fall substantially below those of Great Britain?

Mr. TYSON. Substantially below those of Great Britain, and so far as the Federal setting is concerned, substantially below those meager standards imposed by the Ohio bill. I should like to speak on that point, sir, that there seems to me no good reason for this scale of benefits. The time to accumulate unemployment reserves is on the up-curve of the business cycle. I think there is general agreement that we are on the up-curve. Prices will advance through this year probably at the rate of 1 percent a month. If the State of Wisconsin can undertake a loan in the face of the interstate competition obstacle for the 2-percent employer reserve, certainly it does not seem fair to

ask the employing group as a whole on a Nation-wide basis to accept this 3-percent reserve initially.

I remind you that in all likelihood collection of contributions will not begin until the end of this year perhaps for a full year, and the payment of benefits will not be made for another year. I think we will be well up toward recovery by that time, and that this small percentage of the cost will not burden industry or delay or impair recovery.

We learned in Pennsylvania in discussions with the employers and their statisticians that a 2- or 3-percent pay-roll tax would be a charge in most industries of only a fraction of 1 percent of the cost of the product, and we believe that quite often no corresponding increase in cost will accrue at all, particularly if the Wisconsin idea of giving incentive to the employers to regularize and stabilize and these offset credits and guaranteed employment work at all, to use this instrument of insurance to enhance efficiency and reduce some operating cost of industry. Certainly, Senator Costigan, that has been our experience with workmen's compensation, has it not? That the insurance charges and premiums of the employer meant in the safety-first movement that it has gone far certainly to reducing the increasing rate and cost of accidents and to more than pay for the mechanism of the insurance. I have some figures on that, if you want.

The CHAIRMAN. Just put them in the record.

Mr. TYSON. Yes, sir; I shall be glad to do so. I shall be glad to answer any questions.

You realize, sirs, that it is rather unfortunate, the wide latitude granted to the States by the Wagner-Lewis Act, which makes no provision whatever for workers moving across State lines. I think at the beginning I referred to that. A worker may move from a 2-percent Wisconsin plan to a 4- or 5-percent Ohio or Michigan plan and could not, as far as I see, transfer his benefits. Of course the problem of caring for interstate-commerce workers in the railroads is of course a separate Federal problem.

Senator COSTIGAN. Have you any suggestions for correction of that feature of the proposed legislation?

Mr. TYSON. Yes, sir; my suggestion would go back to my initial point that if possible the tax be levied separately; payments and standards set independently.

Senator COSTIGAN. It would certainly be undesirable to compel workers to reside where they now reside, would it not?

Mr. TYSON. Yes; and a good reserve plan would have the tendency to deter the mobility of labor seeking a better opportunity for employment.

I should like also to point out that this is unfortunate from the employers' point of view. The employer may pay under this law a 3-percent Federal excise tax and yet may be asked in a meager inadequate State measure to pay only 1 or 2 percent, in which case he loses the advantage that might accrue from full offset of the tax into the State insurance fund, and by the same token the interest-paid argument would again weigh, which I believe this bill was designed to overcome and eliminate, and in encouraging the employers' interest in supporting the passage of such unemployment compensation laws in the States.

Finally I should like to stress the fact that unemployment insurance is widely misunderstood. It is not a means of stabilizing or reforming our present economic system. I would call it as Dr. Leiserson first I think, a "first line of defense" against this inevitable hazard of modern life. Again, we believe in the light of the British experience and the German experience and in fact the experience of all civilized industrial countries of the world, take care of continuing seasonal and technological unemployment. More than that, if the reserves are adequate, it can also mitigate the cost of cyclical or seasonal unemployment.

I think the British testimony is convincing. You provably have testimony to that effect already. If you move surplus funds from the peak of prosperity to the trough, a reservoir of purchasing power is secured.

In the Ohio figures I think roughly \$150,000,000 would have been available had the law been enacted with 3 percent reserves, 2 percent from the employer and 1 percent from the employee, in 1923, after the depression of 1921, which would have carried the fund, on the basis of the benefits designated, 16 weeks with the payment of the maximum of \$15 a week, or \$240 to mid-1932. The actuary of the Ohio Commission estimated that with another percent, had the workers' participation been 2 percent, it would have carried the fund through 1932.

I need not tell you that the taxpayers of Ohio, like those of Pennsylvania, have been severely burdened to meet the relief needs in the daily provision for our vast number of unemployed workers during the depression. If the unemployment problem is largely a community problem, a Nation-wide problem, it seems to me, with all due regard to conserving to the fullest extent the rights of the States under our system, in the light of the past experimentation, with Federal stimulation, Federal standards, setting up Federal aid, it might be well to consider strengthening some of the sections of the present measure to provide for adequate assistance, or to stimulate the States to provide more adequate assistance and to put in certain standards.

Senator COSTIGAN. Is it your theory that a national administration would have a substantial advantage over a State or local administration?

Mr. TYSON. It does logically, Senator. I would say that it would be well, in handling the machinery and administration of this institution of unemployment insurance, to adopt a national system.

Mr. Gerard Swope, the president of the General Electric Co., in his Stabilization of Industry, and in subsequent addresses before the National Electrical Manufacturers' Association, said that we are living in an economic society whose market is Nation-wide the invested capital for the industry is extended from coast to coast, and he has argued very trenchantly for the national system of unemployment insurance, and Mr. Steward has argued trenchantly for the national unemployment system. I might say that my 25 years' experience in working in the States and a little in Washington has convinced me that we should continue to support the Federal system.

The crux of this matter is administration. With good administration a State may secure fine results from even a poor law. I regard the Wisconsin law as poor and adequate. A poor administration will impair the operation of the best law. I would rather move slow, Sena-

tor, in regard to this matter and set up our administrative machinery effectively so that waste and excessive burdens on the insurance phases of this problem may be eliminated.

I call your attention to the fact that the effective operation of a Federal-State system of unemployment offices—labor exchanges, as the British call them—will be absolutely essential in the States and nationally, to the effective administration of unemployment compensation.

Now, we have made a start, a real beginning on it, under the Wagner-Peyser Act. In Pennsylvania, Senator Guffey knows that our new secretary of labor and industry, Mr. Jones, is tremendously interested. We had a meeting of the advisory council of our Pittsburgh office, with representatives of employers and labor leaders and considered this very matter to continue to raise the standards of administration.

This country serves vast and diverse interests and it seems to me we will have to make haste slowly, set standards of administration, and work out the most constructive State measures, and then, sir, with the aid and leadership of the Federal Government attempt to extend those effective standards. But I do think, sir, in considering the adjustment of the unemployment compensation titles of this bill, you might very well strengthen the hand of the Federal Government in guiding these States, not in coercing or embarrassing them.

The CHAIRMAN. Thank you very much. If there is any statement which you want to incorporate in the record, you may give it to the clerk. Mr. Murray Latimer.

STATEMENT OF MURRAY LATIMER, WASHINGTON, D. C., CHAIRMAN, RAILROAD RETIREMENT BOARD

Mr. LATIMER. My name is Murray Latimer, Washington, D. C. I am chairman of the Railroad Retirement Board.

The CHAIRMAN. Were you on the technical board of the Economic Security Committee?

Mr. LATIMER. Yes; I was chairman of the technical board's subcommittee on old-age security.

Mr. Chairman and gentlemen: I have a statement here which is too long to read so I should like to add it in the record, in addition to my oral statement.

The CHAIRMAN. The statement may go in the record and then you can elaborate it with any additional statement you wish to make.

Mr. LATIMER. I should like to discuss rather briefly four points, confining myself entirely to the old-age security provisions of this bill. I do not think it can be overemphasized that the old-age assistance laws, which are to be created and strengthened under the stimulus of title I of this act, are not and will not be a permanent solution of the problem of old-age dependency in this country. There have been a great many statements here about cost estimates which have been presented, which show what the cost will be next year, and in 1980, all of which are guesses, and some of which I am responsible for.

The CHAIRMAN. What is your best guess now?

Mr. LATIMER. Of course a guess right now would be based on factors involving political judgments as to how fast States will pass these laws under the stimulus of the 50-percent subsidy. I am not a judge

of political situations. In order to do that one would have to know something about conditions in each State, which I do not.

The CHAIRMAN. You know something about the State of Mississippi?

Mr. LATIMER. Yes, sir; I do.

The CHAIRMAN. On the 65-year proposition, about what would be the cost, and how would it go up, and so forth, if they should pass a law such as is contemplated? There are about 77,000 who are over 65 years of age, is not that right?

Mr. LATIMER. I think that was in 1930. I should judge now, if the number of persons who are over 65 years of age has increased in equal ratio with the number who are 65 years of age and over in the country as a whole, there would be something like 87,000. According to the census of October 1934, taken by the Federal Emergency Relief Administration, there are some 12,700 persons 65 years of age and over on relief. No census has been taken since, but we have estimated what that number would have changed to if the number of persons 65 and over had changed in the same ratio as the number of single-person families on relief. That, after discussing it with members of the Relief Administration, we thought was probably the best index of increase in the number of persons 65 and over on relief. That figure now, which I believe was filed with this committee last week (at any rate it was published in the New York Times on Sunday), was 14,200. Now it is extremely difficult to say what the level of relief in the State of Mississippi would be.

The CHAIRMAN. If you figure \$15 from the Government, donated by the Government, and \$15 from the State.

Mr. LATIMER. Senator, under existing circumstances I cannot see at all that it is likely that the level of old-age assistance in Mississippi would be \$30 a month, on the average.

The CHAIRMAN. Why?

Mr. LATIMER. A great many of the people over 65 years of age, perhaps most of them, have small farms, small homes, a chicken yard, a cow—they have no money income but nevertheless they have some sort of subsistence. I have been told recently, and I know from some personal knowledge, that in this depression there has been a substantial increase in this subsistence farming, on a small scale. The allowance of \$30 a month would be a comparatively high allowance for these people. As far as food, shelter, and such basic necessities are concerned, the State is somewhat better off than it has been for a good while.

The CHAIRMAN. With your knowledge of the situation, in a State like that, which is maybe somewhat similar to Georgia and other States in the South, what would you think the State should put up in order to provide such sums as would fall within the meaning of "compatible with health and decency"?

Mr. LATIMER. I should hazard the guess that even with some increase, and I think this law would increase the numbers who would qualify for assistance as compared with the number of persons who are 65 years of age and over on relief, Mississippi initially would not spend more than \$3,000,000 a year in a total amount. I doubt whether it would do that much.

The CHAIRMAN. That is Federal assistance?

Mr. LATIMER. That is both.

Senator GEORGE. State and Federal?

Mr. LATIMER. State and Federal.

Senator CLARK. If the Federal Relief Administrator under this act would take a notion that it required \$40 a month for the lowest standard of subsistence, compatible with health and decency, the State of Mississippi would have to contribute \$25 a person and it would not be able to create a fund out of which to pay that amount; isn't that true?

Mr. LATIMER. If the Federal Relief Administrator took such a notion, which seems to me is inconceivable.

Senator CLARK. The entire administration of this act is under the Federal Relief Administrator.

Mr. LATIMER. The standard of health and decency has some relationship to the current custom, it is not a fixed and arbitrary standard. I think the State would still have a good deal to way about it.

Senator CLARK. The reason I asked that question, it has been testified by the author of the bill, Senator Wagner, that according to the figures at his disposal that \$40 a month was a minimum.

Mr. LATIMER. Of course I cannot speak for the Senator, but I think that would not apply to Mississippi; \$40, I grant you, would be desirable. It would raise the standards of persons over 65 years of age in the State of Mississippi, immeasurably, but I do not think it would be done. I shall not comment on whether it is desirable or not, it will not be done and it cannot be done, in the present financial circumstances that exist in the State of Mississippi.

Senator COUZENS. Do you believe there should be some agency of review, some court or something, set up against the arbitrary ruling by the Government agency?

Mr. LATIMER. I should suppose the State would always have the option of suing for a writ of mandamus in court.

Senator COUZENS. I think it should be provided, if we are going to retain it in the bill at all.

The CHAIRMAN. Let me ask you, Mr. Latimer. This provides, of course, that the State should put up an equal amount to the amount put up by the Federal Government, and the Federal Government putting up \$15. You could not take every individual case, you would have to take the average of the number of persons in the State, would not you, in order to determine the amount required for a standard which is compatible with health and decency?

Mr. LATIMER. Yes; except you would count the person receiving in excess of \$30 a month as receiving \$30. There would have to be some segregation of those in order to calculate the amount of subsidy due.

The CHAIRMAN. You think that under the law you would have authority to look into individual cases then?

Mr. LATIMER. I think so; yes, sir.

The CHAIRMAN. Do you think it is advisable to write into the bill that the average should be taken, and so forth?

Mr. LATIMER. That would aid a good deal; yes sir.

The CHAIRMAN. Do you see any objection to that?

Mr. LATIMER. It would increase the cost somewhat to the Federal Government; for this reason, that in New York, as I remember, the average is \$22.16. Now there are some cases in the city of New

York in which the amount is in excess of \$30, and that is true perhaps of some of the other cities, and if those are counted as \$30 the average would necessarily fall below \$22.16. So the Federal Government would put up something less than one-half of \$22.16 on the average. How much the reduction would be I have no way of knowing, because I do not believe any detailed frequency distribution of amounts of monthly assistants have been published.

The CHAIRMAN. You have given a great deal of study to this proposition. What do you think of the suggestion, which was made by someone, that this tax is levied on the citizens of every State, on the employers and employees, and the fund is created, and the amount that is collected in one State for instance, that has not passed this law, on old-age pensions, that it go into a matter of bookkeeping, that it be earmarked, if you want to call it that way, and be held there to be utilized by the State when and if it passes the law?

Mr. LATIMER. Just let me get this clear. Are you referring to the tax under title III of the act?

The CHAIRMAN. Yes.

Mr. LATIMER. Of course that is for a national system of compulsory contributory old-age insurance, which is supposed to supplant these systems of State old-age-subsistence laws, insofar as it is practical to do so and as quickly as we can. Now the questions which you have brought out here this morning emphasize the very thing which I started out to discuss, namely that the assistance laws are unsatisfactory for solving the long range problem and we want to get rid of them as quickly as possible.

The CHAIRMAN. Some question has been raised that if some States do not pass that law, the citizens of those States are taxed that amount and the people of other States may be getting the benefit of it.

Mr. LATIMER. They may be taxed for the general revenues of the Federal Government. There is no specific revenue, under the proposed Federal law, from which the Government makes grants to the State as subsidies for old-age assistance. The taxes in title III are not levied to provide a fund from which the old-age-assistance subsidies may be paid. It may be that in a fiscal emergency of the Government some borrowings may be made on the general security of the Federal Government from the old-age-insurance fund. It may be inexpedient temporarily to raise the old-age-assistance grants through taxes. The old-age fund is to be invested in Government securities. These may be acquired from the public or from institutions—banks, insurance companies, and so on—or the fund may absorb directly additional indebtedness which the Government has created. But in any event there will not be an outright gift. Investments will take the form of a note of the Federal Government, or a bond or a guaranteed obligation, which will draw interest. Technically, and I hope actually, there will be a complete distinction between the operation of these two systems of old-age security.

Of course all these questions that you have raised emphasize one aspect of the unsatisfactory nature of the old-age-assistance laws; namely, that individual States are not able financially to give adequate support to them, that the Federal Government must come in if they are to be at all successful and at all workable, and if the Federal Government does come in, it can legitimately, and should, attempt to set some standards in order that greater security may be given to

the aged group in this country. By setting those standards it may have some trouble with individual States, there is no use denying that fact, which will, for some reason or other, wish to contest the standards set by the Federal Government. I think, with a reasonable administration, these difficulties will be overcome.

It is of course to be hoped that the standards of life in the aged group may be increased. If the maximum effectiveness of old-age security cannot be reached under these laws it must be supplanted by this further system.

Of course there are certain other troubles which we have with these old-age-assistance laws; one of which will be the decided increase in cost. Just how rapidly that cost is going to increase nobody knows, but it is bound to increase, I think, and we can be certain from a number of factors which are already in existence.

First, we know that unless something cataclysmic happens to the death rate in this country, the number of the population in the group 65 and over is going to increase very rapidly. We know that the employment opportunities are declining for older persons. That decline seems to have been a little less rapid in the period 1920 to 1930 than it was from 1900 to 1920, but it has probably set in again, due to the depression influences which have been so overpowering and so dominant in the last few years.

There are also declining employment opportunities for persons in the middle-age group. That was beginning to be a fairly serious problem in the twenties. With so many out of employment now and with still further progress in industrial technic it will be a much more serious problem in the future. Such savings as persons in the middle and working classes had, have largely been lost in this depression. All these factors are going to put a burden on the generation that is now young, even greater than it has had in the past, so that their own old-age dependency ratio is likely to be affected.

There seems to have been some confusion about the Economic Security Committee's report which states, on the one hand, that 50 percent of the population 65 years of age and over is dependent, and estimating, on the other hand, that only 15 percent would qualify for old-age assistance initially under these laws. Of course the difference is accounted for by the fact that a considerable percentage of these persons 65 years and over is dependent and will continue to be dependent on their children.

If there is to be, as there almost certainly will be, this great growth in the number of persons qualifying for assistance it is extremely doubtful whether a means test will be any deterrent at all. The old-age assistance will, in the absence of any other assistance, become the customary thing and we will have an increase in the qualification ratio which will probably be out of line with the increase in the dependency ratio. That does not say that there will be any subterfuge or any deliberate act calculated to increase the possibility of qualifying for the assistance, but nevertheless there will be an increase.

I think we are, therefore, forced to the conclusion that some further system is necessary if the aged group is to have the security which it demands.

Passing on to the system of old-age insurance I should like to discuss, briefly, three major points: The benefits, how to get started, and the matter of who pays for the cost. I think we can say that it

will be impossible effectively to start a system of old-age insurance if the only benefits which were paid were those which were provided, on an actuarial basis, in the technical insurance sense, by the contributions of the group receiving the annuities with, say, equal amounts paid by their employers.

The cost of annuities rises rather rapidly with age. Persons who are now 60 would have to contribute approximately 25 percent of their pay, or with the aid of their employers, over the period of 5 years, if they are to receive even as little as 15 percent of their wage as annuity beginning at 65. It is utterly inconceivable that any such large portion of the aged group's wages could be set aside to provide that benefit.

It has been suggested that these benefits might start off on an earned basis, with some subsidy under the old-age assistance laws. That, it seems to me, would involve very considerable difficulty, because there would inevitably be a comparison between persons who receive assistance and those who do not, both of whom have contributed, and dissatisfaction with the workings of such a plan would, it seems to me, be quite intense.

Now those large benefits are needed. First of all they are needed in order to induce a good many of the people who are 65 and over and who are looking for a job, even though the chances of their finding one is rather small, to withdraw from the labor market. Such withdrawal would have a very definite, perhaps not tangible, but quite definite effect on the wage rates. Trade unions have established a number of systems for the support of their aged members. This has involved a heavy cost with the result that they have had to maintain dues at a high level, some of them extremely high. Taking this load off the trade unions would enable dues to be lowered in many cases, which would assist the legitimate trade unions organizing their legitimate field.

There are moreover a number of industrial companies whose level of productive efficiency has been and is being reduced by the fact that they have a number of old men whom they would like to retire but cannot, on account of public pressure, and at the same time they have not sufficient funds available to start a pension system.

I should like to say that I have been connected, in one way or another, with a number of corporation pension plans. I have never yet been connected with one which would even think of starting off a plan with only 15 percent annuity. Initial annuities averaging twice that high are considered low. In the great majority of plans the employer assumes some cost in respect of service prior to the date of the plan in order that reasonably adequate benefits may be paid from the start, otherwise the employees will not accept the plan.

The very important factor here is that if a contributory system is to be started it will be collecting the contributions from employees at very young ages whose worries about their old age haven't begun and to whom the spectre of dependency in old age is rather remote. What they think of their contributions as buying is not only an annuity for themselves but also as enabling the employer to pay a benefit, which will remove aged persons from the pay roll giving the younger employees a chance to be promoted, and making possible reabsorption of a certain number of those unemployed. The process

will make for some orderly and regular absorption of persons who have not yet been in industry at all.

The Railroad Retirement Act experience in this connection, it seems to me, is significant. We have had almost no complaint whatever, although some was anticipated, about the fact that all classes of employees were to contribute 2 percent of their pay. The fact that there are in the railroad industry some 4 or 5 percent of persons 65 years of age or over, and a good many others who are eligible to retirement, running up to 10 percent of the total, is, in the minds of the young, efficient men, a sufficient inducement to contribute, if it would get the older people out of the way. The younger worker is not going to be willing to contribute any substantial amount unless, rather quickly, there would be some removal of the older persons from employment. It is not necessary to go to the fantastic lengths of the Townsend plan to get the stimulus for that removal.

The benefits initially provided under this act, of course, are very considerably lower than they are under the Railroad Retirement Act.

The CHAIRMAN. When was the Railroad Retirement Act passed?

Mr. LATIMER. It was signed by the President on June 27, 1934. It was passed in the last session of Congress and on the last day or two of the session, as I remember it.

The CHAIRMAN. That matter now is before the Supreme Court, is that right?

Mr. LATIMER. Yes, sir; it is on the docket for hearing, on the 5th of March. The act was declared unconstitutional by the Supreme Court of the District of Columbia and an injunction was entered the Board prohibiting it from putting the act in operation.

The CHAIRMAN. Let me ask you about this Railway Retirement Act. Does that apply to all railway employees?

Mr. LATIMER. Yes, sir; and certain others, like the express company, the Pullman Co., and so forth.

Senator GEORGE. The carriers?

Mr. LATIMER. Yes.

The CHAIRMAN. And it provided for a contribution by the employee of 2 percent?

Mr. LATIMER. The initial contribution was 2 percent by the employees and 4 percent by the carriers.

The CHAIRMAN. The carriers had to put up how much?

Mr. LATIMER. Four percent. They put up twice as much as the employees. The employees contributed 2 percent to a maximum of \$6 a month.

The CHAIRMAN. All right.

Mr. LATIMER. The question might be raised as to why the level of benefits under this particular act, under this bill, is lower than that provided under the Railroad Retirement Act. The Railroad Retirement Act provides for benefits which are measured in part, by the service prior to the effective date of this act. We have estimated that the initial benefit would be somewhere in the neighborhood of \$950 a year, which is payable immediately in the absence of any litigation it would have begun on February 1, of this year.

Senator COSTIGAN. Is the constitutionality of the Railroad Retirement Act before the Supreme Court?

Mr. LATIMER. Yes, sir. The hearing is now set for March 5. So that on the average the initial annuities under the Railroad Retirement Act would be perhaps a little in excess of 50 percent of the

current wage level of the people retired on the railroads. It is much in excess of 50 percent of the average compensation of railroad employees, which was not much more than \$1,200 in 1933.

The CHAIRMAN. Did the Government start the fund off with any amount?

Mr. LATIMER. No, sir; there is no Government contribution, other than the fact that we receive the privilege of franking mail and services from the Department of Justice, and the Treasury and other Government offices without cost. The Board is given the power to adjust the rate of contribution so as to provide for the benefits which the act calls for. It cannot, however, change the ratio of contributions, one-third from employees and two-thirds from the carriers.

Now there is a vital difference between the act which is now under discussion and the Railroad Retirement Act. The main purpose of the Railroad Retirement Act is to promote efficiency and safety in the national transportation system. It starts with the premise that the creation of the Railroad Retirement Act will promote efficiency and safety in the national transportation system.

The CHAIRMAN. Does it compel retirement at the age of 65?

Mr. LATIMER. Yes, sir. It starts off with the promise that a person in the transportation system who is 65 years of age or over is a menace to the public safety and a handicap to the national transportation system. It therefore compels the retirement of everybody 65 years of age or over. However, by mutual consent of the Railroad Retirement Board the time may be extended to 70, but not beyond 70. That provision does not apply to executives during the first 5 years of the act, but 5 years after the initiation of the act there can be no person in the service of any character who is more than 70 years of age.

The CHAIRMAN. Tell us about the Civil Service Retirement Act. That is voluntary, as I understand it?

Mr. LATIMER. No, sir; that is not voluntary. The employees in the civil service, with the exception of those of the Railroad Retirement Board, who are covered by the railroad retirement system must contribute; membership is not voluntary, I think there are also some civil-service employees who are covered by the Panama Railroad System.

The CHAIRMAN. What is the percentage that they are required to put up?

Mr. LATIMER. They are required to contribute 3½ percent, but in the event of withdrawal the employee receives back his contribution of 3½ percent, less \$1 a month, with interest. They lose a dollar per month.

The CHAIRMAN. In other words it raises the whole fund?

Mr. LATIMER. No, sir. The contribution by the Federal Government was supposed to cover the service which was credited prior to the date that act was initiated, which was back in 1920. The service period before 1920 was used in calculating the amount of annuity which an employee would receive. Let us say, as the act now stands, as amended in 1929, the annuity provided by the Government is \$30 a year for each year of service, to a maximum of 30. Now an employee who retired in 1930 and who began in 1900 would calculate that part of his annuity provided by the Government by using 20

years prior to the effective date of that act in 1920, and 10 years after 1920. Two-thirds of the Government annuity in that case is based on prior service; and the cost was to be paid by the Government.

The CHAIRMAN. What about the retirement?

Mr. LATIMER. They are retired at 70. I think in some classes of service the retirement age is 62, and in others it is 65, and in still other classes the compulsory retirement age is 70. There was some exception to that before the enactment of the act of 1932. As I understand it the Economy Act of 1932, practically forced out of Government service the persons who were 70 years of age or over.

Senator GEORGE. And who had had a certain length of service?

Mr. LATIMER. Yes; who had a certain length of service, I believe it was 20 years of service, or some such period, or perhaps it was 10, I am not sure of those figures offhand, in order to qualify for an annuity under the act.

There is one point further there. There are some resemblances between the Civil Service Retirement Act method of financing and the method financing in Senate bill 1130 as it now stands. Of course when you start off a pension system there are relatively few persons as compared with the total number of employees who are in the upper age groups. There were perhaps five or six thousand, as I remember, over 70 years when the Civil Service Retirement Act was begun. Obviously the cost of paying the annuities in that year was rather small. The employees of the Government were paying in 3½ percent, and in event of their death or retirement from service for any cause, they were to be refunded their money with 4 percent interest. The amount of money which was to be refunded in the event of death or withdrawal, plus the annuity payments, both on account of reaching the normal retirement age and on account of the disability feature were very much less than the 3½ percent provided by employee contributions if all the employees died. If all employees died or withdrew from service obviously there would be no money left in the fund, but they did not. Consequently there was a reserve accumulated which was nominally the property of the employees. There is some disagreement as to the soundness of operating what is essentially a private fund of this sort on that kind of basis, but nevertheless the Government could and did borrow money from the employees' contribution to pay annuities.

Now, as a consequence, the technical liability of the Government increased by leaps and bounds. As I remember now, the last actuarial investigation, which was made in 1930, showed that the Government contribution would be required to put the plan on a technically funded basis and would be very considerably higher than 3½ percent, which was being contributed by the employees.

Senator COUZENS. Have you the actual amount of that?

Mr. LATIMER. That shows in the report of the Actuarial Board, the Government Board of Actuaries, consisting of Mr. George B. Buck, Mr. McLeod, the Government Actuary, and Mr. Brown, who was then chief of the Bureau of Efficiency, as of June 30, 1930.

Senator COUZENS. You do not have it with you?

Mr. LATIMER. I do not have it with me. I cannot recall the figures off-hand, but they are in that report.

Senator GEORGE. From the date of the passage of the Federal Employees Retirement Act up until 1929 the contribution was only 2½ percent, I think, from the employees. It was increased at the time the act was amended, I believe it was in 1929, to 3½ percent.

Mr. LATIMER. Yes; I was speaking of the 3½ percent.

Senator GEORGE. There was a considerable technical liability of the Government at the time of the amendment to that act in 1929, and there is still now, technically. I believe it is actually set up on the books.

Mr. LATIMER. It shows in the valuation; yes, sir.

Senator GEORGE. There was a considerable liability on the part of the Government.

The CHAIRMAN. Do you know approximately what it is, the technical liability?

Senator COUZENS. Something over \$100,000,000, isn't it?

Mr. LATIMER. It runs into the hundreds of millions. I am unwilling to say off-hand, because I do not remember the figures. I could very easily get that for your, sir.

The CHAIRMAN. I think you can get it and supply it to the clerk.

Mr. LATIMER. Yes, sir; I can do that. That is as of June 30, 1930. There is now under way, as I understand, a revaluation. I do not know whether it will be published or not, but I know last summer there were further amendments under this economy act which allowed employees to retire at 68, I think it was, rather than waiting to 70. There were some provisions, which I do not remember off-hand, which had the effect of increasing the liability of the Government.

What it finally came to I do not know, but the only figure which I have is the one as of June 30, 1930. I presume there will be another valuation published as of June 30, this year.

But the point I was wanting to make at the time when we started on this other discussion is that because of the necessity for forcing persons out of the service of railroads, it was inevitable and impossible to do other than to provide an amount, a very considerable amount of annuity, because you were forcing a man to drop, in most cases, the only possible source of livelihood he had. In the act under consideration, S. 1130, there is no such forcing out of employment, on the part of any act of Congress, at any rate, so that it is reasonable to set, initially, annuities which are perhaps somewhat lower. Whether the relation between the two initially is reasonable I do not know, it is a matter of judgment; but nevertheless in my own judgment the annuities set in this act are to be regarded as minima amounts rather than maxima for the purpose which the system is supposed to accomplish, namely, the protection of the aged group, their removal from employment, and the quick supplanting of what we think is a system which would be unsatisfactory in the long run.

The CHAIRMAN. Mr. Latimer, your statements will be in the record. This committee, when we begin to get in executive session to begin to study this bill, will probably want you to stand by so we may confer with you, because you have all this data at hand. Your statement covers the point pretty fully.

Mr. LATIMER. There are two points which my statement does not cover. I have been following the hearing here. There has been some emphasis on some things, which have not been cleared up. I should

like to clarify the situation and I should like to cover those additional points.

The CHAIRMAN. I wish you would do that.

Mr. LATIMER. If you would like to have me appear before you, I will be in Washington.

The CHAIRMAN. I thought we would confer with you when we get in executive session on this proposition.

Mr. LATIMER. I might say I am having a series of charts prepared which, so far as the actuarial side of this is concerned, attempts to give a simplified picture of the matter. I know this is a rather technical subject. I have had experience in explaining it on a good many occasions and I find that some sort of a graphic method presentation serves to clear up some points which might otherwise be rather hazy.

The CHAIRMAN. I wish you would amplify your statements and we can get in touch with you when we finish the hearings.

(Mr. Latimer subsequently submitted the following:)

RAILROAD RETIREMENT BOARD,
Washington, February 13, 1935.

Mr. FELTON M. JOHNSTON,
*Clerk Committee on Finance,
United States Senate, Washington, D. C.*

DEAR Mr. JOHNSTON: In the hearings yesterday Senator Harrison made the request that I furnish you with the most recent valuation of the civil-service retirement and disability fund. That valuation, as of June 30, 1930, is enclosed. The pertinent figures which were under discussion yesterday are given on pages 12 to 14.

The valuation balance sheet shows that the liability of the Federal Government for services which had been rendered prior to the date of valuation was \$730,192,797. Table 8 on page 14 shows that the annual payment required to amortize this accrued liability over 68 years would be \$31,414,814. The cost to the Government of services which are being rendered currently, according to the same table, is \$20,638,850, making a total annual cost to the Government of \$52,053,664.

I now understand that the report of the actuaries containing the valuation as of June 30, 1934, show the changes in liability caused by recent amendments to the Civil Service Retirement and Disability Act, and that the report has recently been sent to the Committee on the Civil Service of the House. Am hoping to secure a copy of this. [The figures referred to here will be submitted later in the record.]

Enclosed also is the additional statement which as I understand it the committee will allow to be inserted in the record.

Yours very truly,

MURRAY W. LATIMER.

REPRINTED FROM HOUSE DOCUMENT No. 215, 73d CONGRESS, 2d SESSION,
THIRTEENTH ANNUAL REPORT OF THE BOARD OF ACTUARIES OF THE CIVIL-SERVICE RETIREMENT AND DISABILITY FUND (PP. 12, 13, AND 14)

COST OF BENEFITS TO PRESENT EMPLOYEES

Had contributions been made at the percentages of salary given in tables 3 to 6 by, or in behalf of, every employee from the time when he entered the service, the funds in hand, together with future contributions at these rates, would be adequate to provide all benefits payable. But employees in service at the time of the establishment of the fund have been given credit for their past years of service. For this reason contributions in the future at the normal rate alone will not be sufficient to provide benefits for the present employees.

In order to obtain knowledge of the contributions required in addition to normal contributions to provide the benefits for the employees covered by the fund on June 30, 1930, a valuation of the total liabilities of the fund on account of the prospective benefits payable to present annuitants and employees was made. As an

offset against these liabilities there are available the present assets of the fund and prospective contributions of employees at 3½ percent of salary. The remainder represents the liabilities which are not covered by employees' contributions.

The detailed figures are given in the balance sheet, which follows:

TABLE 7.—*A valuation of the assets and liabilities of the civil-service retirement and disability fund as of June 30, 1930*

LIABILITIES

Benefits payable to annuitants on the roll:		Present value of pay-
Retired on account of age and involuntary separation:		ments to be made
Employees with normal retirement age 62-----		\$11, 223, 350
Letter carriers and postal clerks with normal retirement age 65-----		41, 691, 828
Mechanics, laborers, and other employees with normal retirement age 65-----		20, 796, 579
Employees with normal retirement age 70-----		12, 401, 845
Total-----		<u>86, 113, 602</u>
Retired on account of disability:		
Employees with normal retirement age 62-----		2, 386, 602
Letter carriers and postal clerks with normal retirement age 65-----		16, 618, 827
Mechanics, laborers, and other employees with normal retirement age 65-----		6, 997, 425
Employees with normal retirement age 70-----		9, 435, 882
Total-----		<u>35, 438, 736</u>
Prospective benefits to members of active service who will retire on account of age:		
Employees with normal retirement age 62-----		206, 078, 166
Letter carriers and postal clerks with normal retirement age 65-----		494, 441, 815
Mechanics, laborers, and other employees with normal retirement age 65-----		111, 955, 047
Employees with normal retirement age 70-----		173, 376, 262
Total-----		<u>985, 851, 290</u>
Prospective benefits to members of active service who will retire on account of disability:		
Employees with normal retirement age 62-----		18, 976, 728
Letter carriers and postal clerks with normal retirement age 65-----		82, 836, 126
Mechanics, laborers, and other employees with normal retirement age 65-----		16, 924, 437
Employees with normal retirement age 70-----		61, 316, 066
Total-----		<u>180, 053, 357</u>
Prospective benefits to members whose service will be discontinued through no fault of their own prior to the attainment of retirement age:		
Employees with normal retirement age 62-----		4, 054, 637
Letter carriers and postal clerks with normal retirement age 65-----		15, 102, 589
Mechanics, laborers, and other employees with normal retirement age 65-----		7, 331, 870
Employees with normal retirement age 70-----		20, 352, 179
Total-----		<u>46, 841, 275</u>

TABLE 7.—*A valuation of the assets and liabilities of the civil-service retirement and disability fund as of June 30, 1930—Continued*

LIABILITIES—continued

Contributions to be returned to present employees with interest at 4 percent upon separation from service without retirement benefits:	Present value of payments to be made
Employees with normal retirement age 62-----	\$16, 527, 858
Letter carriers and postal clerks with normal retirement age 65-----	67, 171, 767
Mechanics, laborers, and other employees with normal retirement age 65-----	18, 240, 283
Employees with normal retirement age 70-----	60, 643, 135
Total-----	162, 583, 043
Grand total-----	1, 496, 881, 303
ASSETS	
Funds in hand-----	156, 546, 419
Contributions of employees of 3½ percent of salary:	
Employees with normal retirement age 62-----	49, 247, 392
Letter carriers and postal clerks with normal retirement age 65-----	169, 387, 811
Mechanics, laborers, and other employees with normal retirement age 65-----	36, 093, 413
Employees with normal retirement age 70-----	102, 200, 900
Total-----	356, 929, 516
Appropriations required of Government:	
To meet normal cost accruing annually-----	253, 212, 571
To meet accrued liability-----	730, 192, 797
Total-----	983, 405, 368

PROVISION FOR ACCRUED LIABILITY

The preceding balance sheet shows the total liabilities of the civil-service retirement and disability fund have a present value of \$1,496,881,303 on June 30, 1930, of which \$121,552,338 (\$86,113,602 plus \$35,438,736) represents the liabilities on account of benefits already granted and the balance of \$1,375,328,965 represents the liabilities on account of annuities and other benefits to be granted in the future on account of active members. To meet its liabilities the fund has present assets amounting to \$156,546,419. The present value of the prospective contributions of employees at 3.5 percent amounts to \$356,929,516. Subtracting the value of these contributions and the present assets from the total liabilities, we have \$983,405,368 as the liabilities to be met by contributions by the Government.

If the Government were to make normal contributions on account of each group, which now represents a contribution of 2.45 percent of the total pay roll annually, this contribution, together with that of 3.5 percent by the employees, would equal 5.95 percent, which is the average normal contribution. This contribution would be sufficient to cover the continuing or normal cost, but it would not be sufficient to cover the liability on account of service rendered by employees prior to the establishment of the fund in 1920, when no contributions were made, nor would it cover credit for service since that date on account of which the Government has not made regular contributions related to the larger benefits of the later law. The liability on account of this past service may be obtained by deducting from the total liabilities of the Government to be met by Government contributions the value of the future contributions which would be payable by the Government to cover the normal cost.

An actuarial calculation shows that a contribution from the Government at the normal rate for the various groups on account of the pay roll of present employees has a present value of \$253,212,571. If the latter amount be deducted from the

item of \$983,405,368 shown as the value of the Government's prospective appropriations, \$730,192,797 is left as the amount which must be placed in the fund to offset the lack of contributions in the past.

This amount technically is known as the "accrued liability." In order to amortize this accrued liability by means of annual payments distributed over a period of years in the future in accordance with the plan adopted by the Government in 1927, an annual payment of \$31,414,814 for approximately 68 years from 1930 is needed. This is equivalent to 3.73 percent of the present pay roll annually.

The following table has been prepared to summarize the annual contribution required for the support of the fund from both employees and the Government.

TABLE 8.—*Annual cost of civil-service retirement and disability fund as percentage of pay roll*

Group	Normal cost as—		Deficiency cost as—		Total cost as—	
	Percentage of pay roll	Annual amount as of June 30, 1930	Percentage of pay roll	Annual amount as of June 30, 1930	Percentage of pay roll	Annual amount as of June 30, 1930
Employees with normal retirement age 62.....	6. 71	\$8, 222, 293	49. 6	\$6, 077, 880	11. 67	\$14, 300, 173
Letter carriers and postal clerks with normal retirement age 65.....	6. 53	24, 212, 266	3. 81	14, 126, 853	10. 34	38, 339, 019
Mechanics, laborers, and other employees with normal retirement age 65.....	5. 83	5, 520, 578	4. 89	4, 630, 468	10. 72	10, 151, 046
Employees with normal retirement age 70.....	4. 78	12, 190, 137	2. 58	6, 579, 613	7. 36	18, 769, 750
Total.....	5. 95	50, 145, 174	3. 73	31, 414, 814	9. 68	81, 559, 988
Payable by employees.....	3. 50	29, 506, 324	-----	-----	3. 50	29, 506, 324
Payable by Government.....	2. 45	20, 638, 850	3. 73	31, 414, 814	6. 18	52, 053, 664

SUPPLEMENTAL STATEMENT OF MURRAY LATIMER ON ECONOMIC SECURITY ACT,
S. 1130

This statement is confined to those parts of the social-insurance program with which I have been primarily concerned, namely, the old-age security aspects.

First, as to title I: The proposal for a Federal subsidy to States for the payment of a part of old-age benefits under State laws, conditional upon enactment or revision of these laws in conformity with certain standards is not a new one. Congress for several years has had before it bills which were distinctly similar to title I of the bill now under consideration. There will be little disagreement that the time is ripe for the enactment by Congress of a scheme of this nature. This statement, therefore, will be devoted to a discussion of two further questions: Ought the type of system which would be created by title I be the permanent and sole measure for old-age security? If not, what should be the nature of a further measure, and when should it be initiated?

The answer of the President's Committee on Economic Security to these questions we know: There should be created immediately a national system of compulsory, contributory old-age insurance which would supplant insofar as such is found practicable, and as quickly as is feasible, the system of old-age assistance set up under title I.

This answer seems to me to be wise. I wish to present the line of reasoning which leads me to this conclusion.

The purpose of title I, as is indicated by the various section headings, is to provide "assistance for the needy" aged. This sort of security measure might be adequate and permanent if the "needy" aged were to be a minor part of the whole aged group of the population. We can be reasonably certain that such will not be the case.

The degree of dependency among the aged has been augmented by the depression, but the depression is not the primary cause of that increase. Even should there be further recovery to the 1929 level of production and employment, the aged group will not share in it appreciably, if at all; and there is every reason to

suppose that unless we change the existing situation quickly, dependency among the aged will be as bad, if not worse, 5 or 10 years from now as it is at present. So far as the aged group is concerned, this depression bids fair to cause a rising trend of dependency for at least another generation.

The reasons for this are fairly obvious. In the first place, the numbers in the aged group will continue to increase for many years. Five years from now there will be probably 1,000,000 more persons 65 and over than there are now. And in 30 years the number will reach about 14½ millions.

Second: The trend of employment among the aged has been downward for 40 years. While this has been due in part to the shift from agriculture to industry, a process now temporarily at least ended, there appears no good reason to suppose that industry and other nonagricultural occupations are likely to absorb any larger proportion of the aged, or, indeed, any greater absolute numbers of them.

Third: Not only will most of the persons in the aged group itself who are now unemployed never again be able to obtain employment, but it is likely there will be a large amount of permanent unemployment among the middle aged. This was beginning to be a serious problem before the depression, but it will be far more acute in the future than it has been in the past.

Fourth: Persons over middle age who do succeed in securing employment will in many instances owe their success to a willingness to make a sacrifice in the customary wage or be content with a highly routine job. The end result will be a wage which will not permit any appreciable surplus for old age, or indeed any surplus for any purpose other than the current maintenance of a rather low standard of living.

Fifth: While we are without quantitative data, it is reasonable to suppose that a large proportion of the savings of the middle-aged group have been wiped out. This fact, coupled with the increasing unemployability of the group, means that the relatively small percentage of the aged which in the past has been able to live on savings, or income from property, will in the future, as at the present time, almost vanish.

Sixth: The economic difficulties of the members of the aged and middle-aged groups will bear heavily on their children, and will be reflected in their own rate of dependency when they in turn become old.

In considering the longer range aspects of an old-age security program, the position of the older worker in the labor market needs to be studied. This aspect of the problem has never been adequately analyzed. There were, in 1930, according to the decennial census, slightly more persons 65 and over recorded as gainfully occupied than there were children from 10 to 17. I suggest that in economic consequences, old age and child labor have much in common. The fact, already pointed out, that numbers of persons over 65 reported themselves as gainfully occupied, when, in fact, they were not, suggests that many such persons were in the labor market seeking employment. This number is probably greater today than in 1930. There must be, therefore, a body of superannuated men—perhaps as many as a half million—who are looking for jobs, not as actively perhaps as younger men, but willing to take any rate of pay for any job.

It is well known, of course, that many unions have specific agreements by which substandard wage rates are paid older men. There are some notable exceptions, of course, as in the train service brotherhoods and other railroad labor organizations.

Among the reasons why this situation seems never to have attracted particular attention is that it is nothing new. The increasing unemployability of the aged has been, not a sudden shift, but a slow change. Younger men, moreover, are usually more than willing to see their older fellows get jobs. They see the job in its immediate aspects and fail to see that the pressure of the older persons on the market, taken as a whole, probably has an appreciable effect on the whole wage structure. The usual complaint has been that these older workers cannot get jobs. We might gain economically if we saw to it that still fewer secure employment by taking as many as possible out of the labor market.

There has been a vicious circle here; the permanent body of aged unemployed or partially unemployed attempt to secure or retain employment on a reduced wage basis, in order to avoid being a burden on other members of the family. The result is, eventually, to lower somewhat the general level of wages, and this in turn sets up other undesirable influences and results.

The harmful results of the pressure of older workers for employment have been partially recognized by some employee groups. A number of important trade unions have provided for payment of superannuation benefits. Several of these

unions have attempted, through the medium of these systems, to encourage complete retirement of aged members from the trade. The general aim, it is fair to state, is, in part, the removal of the aged from the labor market.

The unions have found this a costly procedure. Most of the funds have been handled substantially on a current assessment basis, and it has been necessary to increase these assessments periodically. The end result has been a system of union dues which constituted a detraction rather than an attraction to prospective members. Some of the systems have been abandoned and it is questionable whether any could permanently survive. One could go much further in showing how lack of a general social insurance program has been a major handicap for the labor movement in this country. Failure of these efforts to provide social security by the workers themselves does not, of course, mean that social insurance is uneconomical.

There is another side of the relationship of the older worker to the labor market—the continued retention by older workers of jobs which could be more effectively filled by younger men. This is, of course, becoming increasingly less important for the group of 65 and over, but it still bulks large in the minds of persons whose advancement would be hastened by the displacement of the relatively few old men at the top. And steady displacement of the aged group will help regularize the intake of industry at the youngest ages.

In general, therefore, the older worker is a disrupting factor in the labor market, both when unemployed and looking for a job, and frequently when employed.

Under such conditions I submit that old-age pensions of the type contemplated under title I of the bill under consideration would be found increasingly unsatisfactory as the main form of old-age security.

First of all, their intimate connection with the "means" test will prove a drawback. Under a situation where the problem of old-age dependency is less acute than it now is, and particularly in the initial stages of legislation of this type, a grant of pensions conditional upon a "means" test may be satisfactory. If, however, the attempt were made to extend this type of system to substantially the whole of the aged population, as the permanent exclusive form of old-age security, great difficulties arise. First, the "means" test would not be a permanent deterrent to making application for the pensions; claiming the benefit would tend to become the customary practice. This is clearly shown by the experience of other countries under noncontributory old-age pension systems. Use of the "means" test would set up certain arbitrary distinctions between the several classes of the community, and would be apt to cause some discontent among the more fortunate persons who are for one reason or another able to be self-supporting. In the end the pressure for change or abolition of the "means" test would be strong. Nor, if there were to be no other system, would such a change be undesirable.

Second, the level of pensions, even if raised considerably above existing standards, would not be high enough to induce any considerable voluntary withdrawals from the labor market; nor would employers be able to retire superannuated employees without friction. Moreover, the "means" test would have a bearing in this connection since employers in handling their personnel problems could not, and should not, differentiate as between employees on the basis of their private means.

Third, the rapid growth in the aged population, combined with the diminishing deterrent effect (or modification) of the "means" test, would almost certainly produce a rapidly mounting volume of expenditures under the State old-age-assistance laws.

In the immediate future, the expenditures under these laws will probably not be very great relative to what they might become later on. What they would be in the future, after a period of operation, is a matter upon which we may only conjecture. The actuaries have made estimates as to what the level of costs might be, based on certain arbitrary assumptions as to the rate of dependency. Except insofar as these estimates are based on projections of population, actuaries have no more competence to make estimates of cost than anyone else. As a matter of interest I present a table showing the population 65 and over as projected by the actuaries for 1940, 1945, 1965, and 1980, together with certain figures as to what expenditures for old-age pensions would be under certain assumptions as to the proportion of the population in the aged group which would qualify for these pensions, together with certain assumptions as to the monthly average per capita pensions. These assumptions may be varied indefinitely, according to anyone's ideas about the amounts of pensions which should be paid and the proportion of the group which will qualify.

Estimated population 65 years of age and over at specified years in the future with possible expenditures for old-age pensions under certain assumptions

[In millions]

	1940	1945	1965	1980
Population 65 and over	8.32	9.55	14.34	17.00
(1) 20 percent of aged population qualify; \$20 per month average per capita expenditure	399.2	458.6	689.2	816.0
(2) 20 percent of aged population qualify; \$30 per month average per capita expenditure	598.8	687.9	1,033.8	1,224.0
(3) 30 percent of aged population qualify; \$20 per month average per capita expenditure	598.8	687.9	1,032.3	1,224.1
(4) 30 percent of aged population qualify; \$30 per month average per capita expenditure	898.2	1,031.9	1,548.5	1,836.2
(5) 40 percent of aged population qualify; \$20 per month average per capita expenditure			1,376.5	1,632.1
(6) 40 percent of aged population qualify; \$30 per month average per capita expenditure			2,064.7	2,448.1
(7) 50 percent of aged population qualify; \$20 per month average per capita expenditure			1,720.6	2,040.0
(8) 50 percent of aged population qualify; \$30 per month average per capita expenditure			2,580.8	3,060.2

For all these reasons it would obviously be unsound as a permanent policy to contemplate exclusive reliance on old-age pension systems of the present type in any program of old-age security. Rather, they should be regarded mainly as a mode of meeting the emergency and leading, if proper subsequent steps are taken, to a more adequate more soundly financed, and more comprehensive system.

The situation we face here is precisely that through which European countries have already passed. The general experience in European countries can be summarized by a brief quotation from a recent study by the International Labor Office:

"To judge by events in the last few years, it would appear that noncontributory pensions constitute, not a permanent, but rather a transitional measure, destined, sooner or later, to make way for pension insurance.

"The cost of pensions tends continually to rise, partly because of the increase in the proportion of the aged in the population and partly because of the pressure which is always being exerted in favor of higher pensions, greater exemptions and lower pensionable ages; consequently, governments find themselves after a time burdened with a much greater charge than was anticipated at the time when the pension was first adopted. In order to lighten their burden they introduce pension schemes based on compulsory insurance; in exchange for his contribution the insured person is offered a pension free from any condition as to means and sometimes also at a lower pensionable age, while widows may become entitled to a pension whether they have dependent children or not."

Just as it has been necessary in Europe to turn from the noncontributory form of pension system to the compulsory contributory insurance system, just so it is necessary to adopt such a policy in this country. The main questions are what should be the specific provisions of such an old-age-insurance measure, and when should it be adopted.

PROVISIONS OF AN OLD-AGE INSURANCE MEASURE

The specific provisions of an old-age insurance measure ought to be framed first with an eye to conditions which are to be met, and second, with due care that in meeting these conditions we set in motion no further sequence of maladjustments.

First of all, the amount of annuities to be granted should be fixed, having in view not only the benefit of direct payment to the recipient himself, but with the purpose of inducing as many as possible to withdraw from the labor market so as to be rid of the depressing influence on wages; to provide for the reabsorption of the unemployed, the ordinary absorption of the younger generation as they begin to seek employment; to aid in the organization of labor by enabling trade unions to lower their dues; and finally, but not least, to take off the backs of children already overburdened the further burden of their parents. Nor should the advantages of the maintenance of a large and continuing stream of purchasing power directed almost entirely to consumers' goods be overlooked.

Under the proposed scheme employees of all ages ought to pay taxes which are placed in the old-age fund. Young employees, generally speaking, are not so much concerned about their old age as are older employees. While it would be too much to say that they would generally object to paying the taxes, nevertheless it is true that if through their tax payments more immediate benefits would be derived, the tax burden would be assumed with fewer objections. An immediate benefit which would be directly related to such contributions would be the payment of annuities sufficient to retire older persons from the labor market, opening up channels of promotion and providing reabsorption of the unemployed. This same process, moreover, would solve pension problems of employers which they have been unable to meet without assistance because of the inability to finance pension plans where the costs involved are not borne by competitors.

Clearly, the larger the annuity, within reasonable limits, the greater the extent to which we will realize these subsidiary aims. I submit that from this point of view the annuities scheduled under title IV of this bill constitute a minimum standard for such a program. Even with the annuities as scheduled, the full subsidiary benefits of the program will not accrue for almost a generation. Most individual companies have not even considered in beginning annuity or pension plans the payment of benefits at so low a scale.

The question may be raised as to why the level of benefits in this proposed scheme should be materially lower than the benefits under the railroad retirement system created by the last Congress. While that system and the insurance scheme now under consideration have certain factors in common, there is a fundamental difference. The main purpose of the Railroad Retirement Act is to promote efficiency and safety in the national transportation system. The major premise in the creation of the railroad retirement system was that generally the employment of persons over 65 in the railroad industry tended to lessen the efficiency of the system and was a standing menace to the safety of the traveling public. Hence it is provided that retirement from the industry is to be compulsory at the age of 65, with certain provision for temporary continuation in service by mutual agreement, but within a few years in no event will any employee of a railroad from the president down be permitted to continue after attaining the age of 70. No such factor is involved in the bill now under consideration. If it were, obviously the situation would be materially different. It is also obvious that where a legislative body by its own fiat decrees that persons having a certain characteristic, as age, are prohibited from following their customary occupation, that decree must necessarily be accompanied by a payment for life of an annuity which should be distinctly higher than an annuity which accompanies voluntary retirement.

Voluntary retirement is permitted under the Railroad Retirement Act at ages under 65 but the annuities are reduced materially in such cases. Precisely what the relation of the annuities under the two circumstances should be is a matter for the exercise of judgment. I submit that the ultimate level of annuities as now set forth in the bill are at least not unreasonable as compared with the annuities provided under the Railroad Retirement Act. Another factor which ought not be overlooked in this connection is that superannuation in the railroad industry is heavier, relative to total volume of employment, than in any other comparable industry. The measures adopted in such situation have been and ought to have been related therefore to this specific problem.

But, to return to the old-age insurance system proposed in the economic security bill. There are sound economic reasons why the initial earnings and pay-roll taxes called for in the economic security bill should be low. Others have sufficiently stressed the fact that a high tax levied against the pay roll of employees would be a barrier to future recovery. I wish to emphasize the equal undesirability of high contributions from employees initially. Such a tax would probably result in some decline in purchases of retail goods and an increase in the supply of funds for long-term investment at a time when industry has little demand for such funds. Under the circumstances, funds could not be invested to advantage, and the net result would be the creation of further unemployment. In assessing taxes against wage earners' incomes, the very heavy burdens under which they now labor, not only because of greatly reduced incomes, but because of the heavy burden of the support of millions of parents, should not be overlooked. Further to burden the wage-earning class at this time might offset to a considerable degree the advantages to be derived from this security measure itself.

The benefits as proposed in the act to be paid initially cannot possibly be paid for by contributions of the persons who will receive them. For example, the payment of an annuity of 15 percent beginning at 65 would require a person fully

employed to set aside about 12½ percent of his pay, with an equal amount from the employer. No such contribution either on the part of the employee or his employer is conceivably possible. If reasonable annuities are to be paid for, therefore, initially, some deficit will be incurred which must later be met. A fundamental question concerns the method of meeting the deficit.

To saddle the cost on the employees of the future seems illogical. We are now trying, for obvious reasons, to get away from the system under which children must support their parents in old age. In a system of this sort to assess future employees, later on, we would merely defer the support of the aged from children to grandchildren and charge interest on the period of deferment. Such a result would be exceedingly hard to justify. Nor does the case for assessing the costs against the employers seem much better. One need not fear unduly the economic consequences of a tax on employers to enable them to retire old workers, because by so doing they achieve economies. But there is little tangible economy to an employer in 1960 from a retirement some other employer made in 1945, particularly if interest on the payments in the interim be added to the initial cost.

The question remains as to whether general State taxation can be defended as a means for meeting the deficit. Judgment on this point requires consideration of the alternatives. High contributions on the part of the employees will tend to reduce standards of living, particularly among persons receiving relatively low pay. Contributions by employers may be passed on either in the form of higher prices for their products or low wages or greater unemployment. The accumulation of funds may tend to direct to an undesirable degree streams of purchasing power from consumers-goods industries into capital-goods industries. Assuming the funds which the Government would contribute to be raised by socially desirable forms of progressive taxation, these undesirable consequences of levies on employers and employees would be mitigated provided no great reserves would be built up. Progressive taxation has tended to grow in disfavor in recent years on the ground that it is an unreliable yielder of revenue in periods of depression. Such an objection has no great weight in connection with old-age-insurance funds if adequate contingency reserves are maintained since temporary decreases in current income will not seriously endanger the operation of the fund. Given adequate experience on which calculations could be based, projections of expenditures can be made so far in advance that a firm basis of planning for the future can at all times be maintained with a higher degree of accuracy than in almost any other field.

But there are still further considerations which would justify a Government subsidy. The introduction of a system of old-age insurance will, as has already been pointed out, for a considerable period of years result in great savings as compared to a straight system of old-age pensions. On the basis of figures as to costs which have been submitted in connection with the old-age provision of title IV of S. 1130 and in connection with what the expenditures would be under title I without the old-age insurance, I have calculated that if the savings up to the year 1970 were set aside in a fund and accumulated at 3 percent interest, the total accumulation would be in excess of 10 billions of dollars. A similar saving would be made by the States. These savings deserve to be recognized in any consideration of the contributions of the Government to the old-age-insurance scheme.

I submit that it is the experience of the great majority of foreign countries that the Government must support in part the old-age-insurance system, and this experience ought to be given considerable weight. The standard contained in the draft convention formulated by the International Labor Office, to which this Government has recently adhered, provides that "the public authority shall contribute to the financial resources of the benefits of insurance schemes covering employed persons in general and manual workers." This standard was adopted after a most exhaustive study by the International Labor Office and after a long period of discussion by representatives of governments, employers, and workers.

Again, it is generally conceded that a major factor in insecurity is the maldistribution of wealth and income. Social insurance may not only contribute directly toward the provision of security, but indirectly by assisting toward the elimination of these inequities. Finally, if it is true that the existence of a sound social-insurance scheme is essential to the maintenance of social peace, then the State, whose chief mission is to maintain peace within the Nation, should obviously contribute largely to the support of insurance.

Final judgment on the whole question of the division of costs among the three possible parties—that is, employers, employees, and the State—ought to take into account the form of earnings and pay-roll taxes.

The economic security bill proposes uniform rates of earnings and pay-roll taxes at a given time on all persons and employees covered. No allowance is made for cost differentials as between individuals. Costs will differ for different individuals depending mainly, interest on mortality being assumed equal, on two factors, age and rate of wage change by age. Without going into detail three classes of employees will pay relatively high contributions relative to their ultimate benefits: (1) Those employees who reach their maximum pay early in life and suffer a decline in earnings, more or less severe, after middle age or even before. This group embraces probably the majority of wage earners if we leave out of account changes in the general level of wages which affect all groups horizontally; (2) those who become unemployed totally or almost so after middle age. The number included in this group seems to be increasing; (3) those who are promoted out of the insurance group or who leave voluntarily, by marriage, for example, before reaching 65. This group probably constitutes no particular problem.

In general, the uniform rates of contributions and taxes treats most unfavorably those whose status is most precarious. This situation has generally been recognized in the formulation of systems of old-age insurance. Several devices have been used to offset it:

(1) Give credit for some periods of unemployment in computing the amount of annuity.

(2) Apply larger percentage rates of benefit to low pay than to high pay, as has been done in the Railroad Retirement Act.

(3) Assess employees for less than half of the cost of all benefits, as has also been done in the Railroad Retirement Act.

(4) Provide a Government subsidy raised from progressive taxation.

The first method has probably the least effects in the direction of equalizing since it benefits the man promoted out of the insured class as well as the person already out of a job. The staff of the committee on economic security recommended the second method and hoped, as did the old-age security subcommittee of the Technical Board, that the deficit arising from payment of unearned annuities initially would ultimately be provided by Government funds raised from progressive taxation. Without such Government payment the other three methods will not completely offset the inequities of the uniform method of tax assessment.

Four conclusions seem to follow from this discussion:

(1) The initial annuities provided in S. 1130 are a minimum. Any substantial reduction in such amounts would seriously endanger the success of the plan.

(2) A 1-percent rate of contribution divided equally between employer and employee is preferable to an initial contribution of double that rate, and the increase of 5-year intervals is more desirable than an increase at 3-year intervals.

(3) Total contributions in excess of 5 percent cannot be justified on the ground of economy.

(4) Final success of the scheme will probably involve a government subsidy which ought to be raised from progressive taxation.

A word as to the main reasons why it seems to me essential that the old-age system be on a national basis is perhaps in order. Administrative and economic considerations both point to the necessity for national administration. First of all, except on a purely pay-as-you-go basis, rather large sums will necessarily be accumulated even though the reserves will be far from those which would be maintained if the system were operated on the reserve standards which private insurance companies must necessarily maintain.

It is unlikely that most of the States could build up effective agencies for investing considerable funds. Any such investments would, of course, have a vital effect on the fiscal policies of the Federal Government; and as a matter of protection, both from fiscal and currency and banking policies, the Federal Government must retain control over investments. Second, population shifts in this country are still considerable. From the point of view of a system of old-age insurance, the whole working life of the typical worker must be taken into account. Shifts from one State to another will have very decided effects upon reserves and it would be wholly erroneous to assume that the shifts would cancel each other out within individual States. Moreover, the shifts themselves would effect changes in the value of benefits themselves and consequently would be extremely difficult to deal with on any actuarial basis. Even if legislation in 48 States were absolutely uniform, the value of an annuity of a given amount to an individual, payable some years in the future, would vary widely from State to State.

Third, under a system of compulsory contributory old-age insurance, in which benefits are considerably more liberal than under existing old-age pension laws, distinct effects on both the demand and the supply side of the labor market may be expected. The boundaries of the labor markets, of course, do not follow State lines; and in some industries, at least, the market is essentially national. Any assumption that the laws of the 48 States would be uniform is probably absurd and would tend still further to produce disparate results in different geographical sections of the labor market. Old-age insurance is on the whole the most costly form of social insurance. Difference in the provisions of the systems in the several States would, on the whole, tend to be a more disrupting influence in competitive situations than would differences in probably any other form of social insurance. Finally, to rely on State action would mean precisely what has been the case in most other forms of social legislation—that action would be inadequate and long delayed.

It seems to me clear that all these considerations lead to the conclusion that the old-age insurance system not only is necessary but ought to be initiated at the earliest possible moment. This line of reasoning also leads to the view that while the benefit rates should start at a relatively high point, large initial contributions from either employers or employees would be undesirable: First, as impeding the progress of recovery; second, as building up excessive funds, creating new investment problems and disrupting existing channels of investment; and third, as transferring purchasing power from one set of industries to another in an undesirable manner.

The system as set up in S. 1130 will be self-supporting for a generation at least. It does not seem to me a serious obstacle to the adoption of a sound system of social insurance that the exact manner of financing the scheme 40 years hence cannot be determined accurately at the present time.

I wish to point out that until a system of this sort is started, all calculations as to costs and expenditures, and hence all the fundamental data on which a sound decision can be made, are based on assumptions which are open to a large margin of error. It may be of some value to enumerate briefly the type of assumptions which have been necessary to arrive at the actuarial estimates which have been submitted to this committee. These estimates have been made by competent actuaries and have been subject to the scrutiny of the Advisory Board whose professional competence is beyond question. Other actuaries would perhaps arrive at somewhat different results. It is only fair to these actuaries to say that they realize the calculations contain assumptions which may prove wide of the mark, and that they are of a fundamentally different kind from those which actuaries are called upon to make in connection with fixing premium rates and making valuations for private insurance companies.

First of all, these estimates involve a projection of the total future population. This projection was taken largely from the studies of population experts such as Drs. Thompson and Whelpton, of the Scripps Foundation for Population Research, and Dr. O. E. Baker, of the Department of Agriculture. It has been assumed that the population will rise gradually to 150 million in 1975. On the basis of this first assumption age distributions have been projected on the basis of the 1930 census, with the assumption that the mortality among white males in the population in the period 1920-29 will apply to the whole population in the future. This makes some slight allowance for improved mortality. It has been assumed that initially the insured population would be about 33 million and would rise by 1980 to approximately 48 millions of persons. It has been further assumed that in the early years of operation of the system, 33 percent of the population 65 and over would qualify for annuities under it, and that this proportion would rise gradually to 60 percent. It has been assumed that the changes in salaries and wages by age would be such that the cost calculations could be based on the assumption that salaries remained constant.

It has been further assumed that the net immigration would be 100,000 per year, distributed as to age according to immigration in recent years, and that survivorship of these immigrants could be determined on the basis of the same mortality table as was used in the other calculations. And, finally, it has been assumed that interest would be earned at the rate of 3 percent per annum on any accumulated funds. All allowance for shifts in and out of insured occupations is implicit in these foregoing assumptions.

The calculations which have been presented could not have been made at all without some assumption, implicit or otherwise, on all these points; and there will be no serious disagreement as to their reasonableness. In the absence of a system of old-age insurance which would yield data permitting specific measurements of

each of the factors involved, no better estimate could be made 5 years from now. But until the system of old-age insurance yields its own data there can be no competent final determination of the financial foundations for this or any other scheme of old-age insurance. We can proceed as soundly today on measures of this sort as we can 1 year, or 5 years, or 10 years in the future.

The CHAIRMAN. Miss Helen Hall.

STATEMENT OF HELEN HALL, NEW YORK CITY, PRESIDENT NATIONAL FEDERATION OF SETTLEMENTS, DIRECTOR, HENRY STREET SETTLEMENT, MEMBER, ADVISORY COUNCIL TO THE COMMITTEE ON ECONOMIC SECURITY

MISS HALL. In time of war, when it is a matter of risking life for one's country, we do not leave it for each State to decide whether, or how, the risk be taken. As an American, not as a Virginian or New Yorker, the soldier risks his life. No other hazard, not war itself, so menaces family life and casts a shadow over the lives of children as economic insecurity, and when it comes to this greatest risk of life and happiness, we should not leave the terms of protection solely to the States. I urge that in the provisions of the Wagner-Lewis bill, the unemployed man be given fuller protection by his national Government.

This is not an emergency act but one which tries to deal with a permanent disability. Not only have the hard times made us conscious of that need, but they have shown us how our failure to meet it in normal times has compounded misery in bad. Neighborhood workers live close to working people in all their vicissitudes. Ever since 1928 the Settlements have made Nation-wide studies of the results of unemployment on families in the United States and have also studied the effects of the English unemployment insurance system on British workers and their families.

On April 1, 1930, I was asked to bring the results of an inquiry into unemployment in good times, made by the National Federation of Settlements in 1928-29, to hearings before a Senate subcommittee of the Committee on Commerce, which was then considering the Wagner bills of that day on public works, precise information on unemployment, and the establishment of a national employment service system. Senator Wagner has been a pioneer in this field, and we have been deeply appreciative of his leadership throughout the years when it was hard to get a hearing for our unemployed neighbors.

Last year we testified in favor of the Wagner-Lewis unemployment insurance bill, strongly urging its enactment. Today we recognize the Wagner-Lewis economic security bill as a great advance over the past in many of its provisions, but we feel that the section dealing with unemployment is a step backward.

I should like to incorporate at this point a resolution passed by the board of directors of the National Federation of Settlements, with members present from Chicago, Boston, Philadelphia, Columbus, Detroit, Wilkes-Barre, Orange, Pittsburgh, Cleveland, and New York.

Be it resolved, That we endorse the security program of the Roosevelt administration, embodied in the new Wagner-Lewis bill for unemployment insurance. The first Wagner-Lewis bill for unemployment insurance, introduced last year with the backing of the administration, provided for a 5-percent pay-roll tax and for national standards below which the States should not fall. The present bill is a step backward at both points. It provides for a 3-percent tax, and carries

no standards whatever as to amount or length of benefits or as to other factors which must be laid down if the workers of the Nation, as a whole, are to get protection through unemployment-insurance compensation.

The report of the President's Committee on Economic Security recommended "a cooperative Federal-State system, which permits variations in State laws but insures uniformity in respects in which uniformity is absolutely essential." But what are the absolute essentials set in the new Wagner-Lewis bill? The bill calls for a uniform pay-roll tax on all the employers of America, so that the employers of any one State may be protected against unfair competition from the employers in other States should they set a lower tax or none at all. The bill calls for protecting the funds raised by placing them in the hands of the Federal Treasury. But this is where national uniformity stops. So far as the protection of the unemployed themselves is concerned, the States are left free to experiment.

The actuarial tables put before the States as a basis for their experimentation indicates that the 3-percent pay-roll tax proposed will afford only 15 weeks coverage at half wages provided that first the unemployed worker must go through a waiting period of 4 weeks without benefit. These actuarial tables show that on a 5-percent tax base, the waiting period can be cut down to 2 weeks and the benefit period raised to 30.

We believe that nothing less than that coverage will make unemployment compensation practical as a first line of defense for American workers. Without such standards, we will be forced to combine relief with unemployment insurance in order to meet family need in many cases.

The Wagner-Lewis bill provides for Federal aid in the case of child health, health services, dependent children, crippled children, old age. Why draw the line at the greatest hazard of all—insecurity in employment?

We believe that national minimum standards of protection, below which no State can go, are the crux of Federal legislation in this field. We believe that the Federal pay-roll tax of 3 percent on the employers of each State should be matched by a contribution of at least 2 percent from the Federal Treasury itself, so that through the income tax all of us will share in meeting the cost of that security, and stability in our economic life, on which all of us depend.

New York, January 26-27, 1935.

HELEN HALL, *President.*
LILLIE PECK, *Secretary.*

It is a common belief that it is wiser to make a start, even though a poor one, with the hope of working toward something better. However, in this instance, the provisions for unemployment compensation in the draft of the Wagner-Lewis bill before you, are so inadequate and will lead to such great inequalities in protection that many of us would question whether they will not discredit this form of providing economic security. The bill should not stop with employing the force of congressional action to keep the funds raised in Federal hands and to insure that all employers will be subject to the same tax. These are money provisions. We are dealing with a risk borne by men, women, and children and how to safeguard their livelihoods against it. Along with these funds and tax requirements should go certain minimum standards, if unemployment compensation is to mean anything as a Nation-wide protection to the workers of America against a hazard which knows no State boundaries. Minimum standards covering at least length of benefit, amount of benefit, length of waiting period, qualifications for benefit, the maximum wages to be covered by this act, the claims of part-time workers and of employees who move from one State to another.

To allow the State to keep the 3 percent tax without assuring without assuring these rights to the workers, seems a denial of the purpose of the bill. For example, a weekly benefit so low that a family getting it must turn to public relief or private charity to make ends meet would most certainly defeat one of the objects of the measure—that is, to supply self-respecting protection against a hazard over which the worker has no control and which thus far, in

the large, has proved uncontrollable. So long as it exists and is uncontrolled, unemployment compensation is one way of adjusting the loss so that the unemployed themselves and their children shall not bear the whole burden of lost earnings, with resulting depreviation and misery. We are doing this, however, in name only if the compensation is totally inadequate.

As an illustration of the need for national standards, take the present New York bill. Last year when the minimum benefit of \$7 a week was put in the Wagner-Lewis bill, its inadequacy was sharply challenged. It was argued at that time that it could be no higher because of the low wage rates in the South. It was assumed and said that the industrial States of the North where wages and the cost of living are much higher would, of course, provide a minimum above that set by the national law. As a matter of fact, the official bill introduced in this year's session of the New York legislature has a minimum not of \$7 a week, but \$5. If in the absence of national standards, one advanced industrial State sets a level so low, one wonders what the minimum in industrially backward States will be, with no national standard to hold to.

I have spoken of the inadequacy of benefit in the amount which may throw families partially on relief. There is the further inadequacy in length of benefit which when workers have exhausted their rights, will throw families, whose savings are spent wholly on relief.

Statistical tables prepared by the technical staff of the advisory council on the basis of censuses of unemployed from 1922 to 1933, went to show that in "good times" 54 percent of the unemployed wage earners would have fallen outside the 15 weeks' benefit period said to be provided by a 3 percent pay-roll tax. Twenty-six percent would have fallen in the 4 weeks' waiting period and 28 percent would have exhausted their benefit. While we have yet to accumulate comprehensive statistical information in regard to unemployment, what we have would seem to indicate clearly that a large share of the unemployed in normal times would be without protection on a 15 weeks' coverage. That 15 weeks is an estimated actuarial average that, taking the country as a whole, could be supplied from a 3-percent tax. States with little unemployment might be able to increase it, but that would mean other States would be obliged to cut it down if their funds were to remain solvent. It is too short for security and short as it is, it is nationally uncertain under the bill.

An American innovation, as far as ideas go, is the recommendation of the Committee on Economic Security that there should be "work assurance" after the unemployment compensation of a worker is exhausted. Such work benefits as are to be supplied by the \$4,000,000,000 appropriation for emergency employment. The Wagner-Lewis bill does not indicate how such a plan is to be welded into the various State compensation experiments. Those of us who are closely in touch with the unemployed people of our neighborhoods feel strongly that work is preferable to either insurance or relief, but that so far it has not proved flexible enough or sure enough to be offered in the place of unemployment compensation for a long enough period to count. Certainly lack of program in the Wagner-Lewis bill would give no sense of security on this point. At best the American work benefit would take over at the point where the compensation stops, just as the extended cash benefits of the British

system take over where its straight insurance coverage stops. But the straight insurance of the British system runs not for 15 weeks, as is proposed for our compensation plan, but for 26.

Our British inquiry showed us what this long benefit meant to English families, and our American studies in 1928 and 1929 showed that Americans needed the same length of protection. This was true of the families of breadwinners engaged in long hard search of jobs, whether their unemployment was due to mechanization or to business failure, to trade shifts, style changes or the other industrial changes that throw wage earners in the street. If you follow the footsteps of the unemployed, you find that they need time and a relatively free mind to find new jobs, and to swing into new trades. As an English workman put it to me, "I don't see 'ow without countin' on tea in 'is stomick and a roof over 'is 'ead, an American 'as the 'eart to find 'imself a job."

You and I might differ as to the amount or length of benefit to be set at the start, but I hope that we should not differ in that, if we are framing a national system, we should not have it sag in this State or that to a point that will disgrace the whole program. For instance, to wait 2 weeks for compensation benefit to begin in one State and perhaps 2 months in another would seem from the workers' standpoint an unreasonable concession to experimentation. Greater extremes, of course, are possible all along the line.

One outstanding advance in the Wagner-Lewis bill of today is that it requires that in States that permit plant accounts, 1 percent of the 3-percent pay-roll tax must be paid into a State pool, so as to safeguard the workers of the State when an establishment exhausts its reserves and cuts down its force. But such a State might nevertheless keep its benefits so low and pay them for so short a time that its employers might quickly build up the legal reserves that would enable them to drop off 2 percent of the pay-roll tax and continue only with 1 percent into the underlying State pool. Not only would the workers of that State be left with negligible protection, but the employers of other States would have to contend with unfair competition.

Minimum protection should not vary from State to State so that while unemployment compensation is a real protection to family life in some parts of the country, it becomes a farce in others. At best under such a system the unemployed are bound to bear the major part of the wage loss, and what we are concerned with is to work out something dependable through compensation to cover the rest.

Once more I urge that in the provisions of the Wagner-Lewis bill the unemployed be given a fuller protection by his Government against a hazard which, more than war itself, menaces family life and casts the shadow of insecurity over the lives of children.

The CHAIRMAN. Thank you very much. Is Mr. Kolb here?

Mr. KOLB. Are you going to adjourn the session for lunch and then come back in later?

The CHAIRMAN. No; we are going to adjourn very shortly. If you have a statement that you can put in the record, Mr. Kolb, I would be glad to have you do so.

Mr. KOLB. I do not care to do it that way, because some of these questions ought to be heard and therefore commented on at this time. It is a question of choice with you, of course.

The CHAIRMAN. Well, we are going to adjourn here in about 3 or 4 minutes. We have a number of witnesses on the calendar for tomorrow, but if we can get to you tomorrow we will do it.

Mr. KOLB. I would prefer to do it that way.

The CHAIRMAN. Is Mr. Ogburn here?

STATEMENT OF CHARLTON OGBURN, COUNSEL TO AMERICAN FEDERATION OF LABOR

Mr. OGBURN. Mr. Chairman, I am appearing, in addition to my interest as a citizen, also as legal counsel to about 1,600 labor organizations and international unions affiliated with the American Federation of Labor, to which I am also legal adviser, and I appreciate the privilege which I would like to use in confining myself, in a few minutes to the unemployment-insurance features of this bill.

The CHAIRMAN. All right, Mr. Ogburn.

Mr. OGBURN. As I go about the country I am deeply impressed with what is really an un-American trait that is developing—and that is fear, that seems to permeate the ranks of the workers, which is occasioned by their tenuous employment and unemployment. I think I can relieve some apprehension that I meet occasionally that the worker does not want relief. The workers want work. Many of them will take short hours rather than go on relief.

What we do need in this country is security, a security that will bring back the American spirit that I find lacking in many quarters.

I testified before a Senate committee about a year ago and made the statement that I thought that perhaps the N. R. A. bill, if made permanent, might become the most important measure ever enacted by an American Congress. I think I can refine that forecast some by saying that it may well be that President Roosevelt may go down in history for this social-security measure more than for any other measure enacted during his administration.

I think that that may be the case with Lloyd George. One of the leading American correspondents, familiar with British legislation, who was the representative of every American newspaper for 12 years over there, has made the statement that Lloyd George, because of the fact that he enacted the British measure in 1911, may be known more for that even than for his career as prime minister during the war.

The CHAIRMAN. It is your opinion that the general principles of the bill are good?

Mr. OGBURN. Yes. There are some desired changes, of course. I think this is not only an emergency measure but it is a measure of such utmost importance that time ought to be taken to study it and to bring forth a bill that will be a real credit to social security and which will possibly not discount some of the objects to be achieved by this bill.

Senator COUZENS. Have you any suggested amendments to make?

Mr. OGBURN. I have a number. President Green of the American Federation of Labor, I believe left with you a bill.

The CHAIRMAN. He left some suggested amendments.

Mr. OGBURN. Yes; which I would like to suggest, or at least urge upon you reporting out a substitute bill. We are not at all satisfied with the method of raising the funds, the method of taxation by which those funds are raised. We are certainly not satisfied with

the lack of standards imposed on States for obtaining the benefits of the Federal funds. We think in both of those respects it should be changed.

I think myself that a tax on pay rolls, as outlined in the bill, is likely to be entirely inadequate and I think will prove to be unsound. I think the collection of pay-roll taxes is going to be cumbersome. There are two pay-roll taxes, I believe in the bill, and I think still a third under State reserves. The graduated tax is likely to prove insufficient.

The pooled funds, the pooled reserves I think are likely to work a hardship. There are certain industries that I may bring to your attention. For instance, the electric railway industry, where the pay rolls are very large indeed. Most of the operating cost of the electric railways are labor costs. The employment in electric railways is fairly stable in the summer and winter, there is very little change in the number of motormen and conductors. That pay-roll charge would be very large on electric railways. If that is pooled, for instance, with the funds, or the pay-roll tax on the beet-canning industry, which operates only a few months a year, we would have the electric railways contribute funds to support the unemployed in the beet-canning industry, where unemployment is very large.

Senator COUZENS. Do you believe in the Wisconsin unemployment insurance plan?

Mr. OGBURN. I believe, Senator, in a Federal tax rather than a tax on pay rolls, I mean as a supertax on incomes. I think we have accomplished two things or three things that way. I think we would raise an adequate sum and I think we could do it without a great, cumbersome machinery, tax-collecting machinery. The tax-collecting machinery on income taxes is great enough as it is.

Senator COUZENS. Do you think it can be created for a specific purpose?

Mr. OGBURN. I think it could be created for a specific purpose. I think the third object accomplished by it would be a remedying of one of the greatest social, financial, and economic ills of this country; that is, the building up of huge cash reserves by very large corporations. I think the supertax, income tax would tend to keep the funds in circulation and prevent their being accumulated in large holdings of these very large corporations.

Senator COUZENS. Have you given any consideration to an excess profits tax?

Mr. OGBURN. I think that would probably be the best method both from the point of efficiency and the point of financial and social soundness and reasonableness. I would like to supply you with a number of copies of this substitute bill.

The CHAIRMAN. We have them, Mr. Ogburn. I was going to suggest to you, Mr. Ogburn, if there are any particular things that you want to add to your statement, if there are any further suggestions in elaboration of your views, we would be glad to put them in the record.

Mr. OGBURN. May I have that privilege? Then I will send it in tomorrow. I feel that there are some further facts that I would like to bring out.

(Additional statement by Mr. Ogburn follows:)

STATEMENT OF CHARLTON OGBURN, NEW YORK, N. Y., FEBRUARY 12, 1935

Mr. Chairman and members of the committee:

I am grateful for the privilege of addressing myself briefly to the unemployment-insurance section of this bill, in which I am deeply interested, not only as a citizen, but as a legal counsel to about 1,600 labor unions and their international organizations affiliated with the American Federation of Labor, to whom I am also counsel.

As I travel throughout the country, advising with union workers, I am deeply impressed with the spirit of fear which is becoming prevalent among all workers, a very un-American spirit, but one which is naturally occasioned by the insecurity which comes from the tenuous employment these workers have and from their knowledge of the unemployment of 10,000,000 of them.

No greater accomplishment can be made by this Congress and this Administration than to restore to the workers of America a feeling of security.

In a statement before a Senate committee a year ago I made the hasty prediction that the N. I. R. A. Act, if made permanent, might well become the most important piece of legislation ever enacted by an American Congress. I make the prediction today that President Roosevelt will be known in history for his sponsoring and introduction of the Economic Security Act rather than for any other act of his administration. There is an analogy to Lloyd George, who, in 1911, was responsible for the enactment by the British Parliament of the British unemployment-insurance measure and whose place in history may rest more on that achievement than on any other. May I quote from a friend of mine who for 20 years has been one of the best-informed American newspaper correspondents in Europe:

"What is hard to explain in a country without a working security system is the difference it makes in the state of mind of a country. The mental background of the British is more peaceful than ours, not because of pride in the rising level of humanity, but because of the greatly enhanced safety. The social system, they feel there, has been fundamentally rebuilt though they still have a capitalist society. What is more, the security system is regarded not as a transition to a new Socialist order but as essential to the preservation of capitalism. The establishment of the system is recognized as the biggest thing the country has done in a generation. And many believe that Lloyd George, who is more responsible for it than any other individual, will be placed higher for it in history than for his leadership in helping win the war. And from conversation with him on this point I can say that he thinks so himself."

The tremendous importance of this Economic Security bill should insure its careful consideration by this committee. It is not an emergency measure. It is agreed that time will be required for its proper introduction and for administrative procedure. The experience of other nations over many years in unemployment insurance can well be studied to advantage by this committee. I spent 2 or 3 years in Europe out of the past 9 years. I realized in European countries that unemployment insurance is now taken for granted and is necessary legislation. The experience of these nations should certainly be made use of by this committee in reporting out a bill.

The present bill, S. 1130, is excellent in many respects but in its Unemployment Insurance Section it has serious defects which by all means should be cured before the enactment of the bill. To those who say that a half of a loaf is better than none, I reply that a legislative act sound in principle and desirable in its objectives may have defects that may well bring about its failure.

First of all, the method of "finding the funds", as the British say, as provided for in title VI, section 601, will likely prove inadequate and economically unsound. This section provides that if the industrial production averages for the year ending September 30, 1935, are not more than 84 percent of the average for the years 1923-25, the tax then for the coming year would be only 1 percent of the employer's pay roll. Selection of the years 1923-25 as 100, although justifiable for certain figures compiled by the Bureau of Labor Statistics, may prove a very unfortunate selection for the purposes of this task. With curtailed production under many of the codes, with a greatly decreased foreign trade in which there is little present prospect of improvement, and with production for 1934 only 2 percent above 1933, it is conceivable that the 3-percent tax might not be reached for many years. A more adequate provision would be a straight tax of 5 percent.

This committee, if it uses pay-roll tax, in our opinion, should consider nothing less than a straight 5-percent tax.

The constitutionality of this method of raising the funds has been attacked, I believe, by the counsel for the National Association of Manufacturers. I would like to submit to your committee a brief on the constitutionality of this tax.

The power of the Federal Government tax is very exclusive and is inherent in every sovereignty. The Constitution, article I, section 8, expressly confers upon Congress the taxing power: "The Congress shall have power to lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defense and general welfare of the United States; * * *", and here must be found the power to impose the tax provided for in the social security bill.

The Supreme Court, except for a brief period prior to the Civil War, has laid no serious restrictions to the power of the Congress to lay and collect taxes for "the general welfare" of the United States.

I recommend, however, to this committee for its consideration another means of raising the funds for the payment of the pensions and unemployment insurance provided for in this bill. A pay-roll tax is extremely difficult of collection. An army of accountants is already necessary for the collection of the income tax. Another army of accountants would be necessary for the collection of this tax and for checking the accuracy of pay-roll records. Much of it would be a duplication of the work done in collecting the income tax.

A better method, it seems to me, of raising the funds is by having payments made directly from the proceeds of the Federal income tax increased by an excess-profits tax or a surtax on corporations in the higher brackets. This surtax, in addition to providing these funds, would tend to remedy one of the greatest social and economic evils in America, the accumulation of huge funds by large corporations, and the tendency to hold these funds in the banks instead of keeping them in circulation.

The income tax is also admittedly constitutional. Not even the counsel for the National Association of Manufacturers could dispute its constitutionality.

The provision in the present bill for the pooling of company funds seems to me inequitable. For instance, in the electric railway industry, employment is stable with small turn-over and uniform throughout the year, with the labor costs representing a very high proportion of the cost of operation; therefore having large pay rolls. Should there be a 5-percent tax on the pay rolls of these electric railways to provide for unemployment insurance in the pea-canning industry where employment is seasonal, or in the automobile industry where there is a large turn-over?

I would like to have the privilege of submitting to you, as the best means of bringing to your attention the changes I urge in this measure, a substitute bill, with the urgent request that your committee carefully consider the improvements, as I believe them to be, and report out the substitute bill instead of the present bill. The main changes in the substitute bill are as follows:

1. Grant-in-aid to States with no credits or rebates to employers.
2. Minimum standards required of States in their unemployment compensation laws before being permitted to receive Federal allotments or grants, provided for in section 406 of this act, additional to the requirement in sections 407 and 602 of this act:
 - (a) Waiting time shall not be more than one week;
 - (b) Unemployed insured may draw compensation for 26 weeks if unemployed and unable to obtain work;
 - (c) Unemployed insured to receive during these 26 weeks, or any portion thereof he is unemployed or unable to obtain work, 50 percent of his normal wages with a maximum of \$15 a week;
 - (d) Which does not permit a company or industry "pooled" fund;
 - (e) Which does not permit a company or industry reserve or separate account;
 - (f) Which prohibits compulsory contributions by labor.
3. Federal funds to be raised by a straight 5-percent tax on pay rolls.
4. Striking sections 607 and 608 of the Wagner bill, S. 1130.

On the old-age provisions I have reduced the years by five, with the age limit of 60 by 1940 and with the compensation initiated at 65.

I have provided that at least one member of the Social Insurance Board shall be appointed from the ranks of labor.

There is a very close relation between unemployment insurance and collective bargaining. Unless workers are to have the benefits of collective bargaining through their own self-organization, which they will have if this Government will prevent the employers from interfering with that right, then workers will be able, not only to prevent a pay-roll tax from being taken out of their wages, but will be able in many ways to aid in the administration of this measure. The enactment of a law preventing employers from interfering with the organization of employees for collective bargaining is therefore a proper corollary to the enactment of an economic security bill.

This bill as drawn with no standards required of States and with the rebate or credit of 90 percent to employers makes what will be quite a patchwork of Federal-State unemployment insurance laws. We could easily have 48 different systems, many in conflict with one another, working injustice to the unemployed instead of operating for their benefit and entailing a great deal of confusion. State lines do not bar the removal of workers from one plant to another. The mobility of labor in the United States is very great. Steel workers go easily from Ohio to Pennsylvania; automobile workers from Michigan to Wisconsin. What we need is a uniform Federal statute with the subsidy or grant-in-aid to States with minimum standards required of these States so that we will not have this hodge-podge or patchwork but a uniform law.

The CHAIRMAN. Thank you very much. Mr. McCulloch.

STATEMENT OF FRANK W. McCULLOCH, REPRESENTING CHICAGO WORKERS UNEMPLOYMENT COMMITTEE

Mr. McCULLOCH. Mr. Chairman, I represent an unemployed group that you are attempting to deal with and perhaps their suggestions will not be completely without value.

The CHAIRMAN. Whom do you represent?

Mr. McCULLOCH. The Chicago Workers Unemployment Committee's group in Chicago, composed of some 35 locals there. Of course, their paid-up membership is not large, they haven't enough money. They are affiliated with the Illinois Workers' Alliance, which is the largest State group of organized unemployed, composed of some 235 locals throughout the State of Illinois, and they are intensely interested in the whole problem of social security and the matter of unemployment insurance.

The CHAIRMAN. Do they generally endorse this measure?

Mr. McCULLOCH. They endorse the principle of social security, but they are far from satisfied with what the bill proposes to do. I think the Senate should realize that and should appreciate that it is going to be hard to make any such proposition prevail unless it does meet with the approval of these groups of unemployed.

I think if you have examined the bill which is commonly called the "Lundeen bill", which provides for a system of immediate benefits, you would know the passage of this measure is not going to allay greatly the disappointment of any of the citizens of this country and their feeling that there is nothing that is promising to them for immediate security.

We talk a good deal about building a first line of defense. The war is now on. To be sure this bill may provide only for some future war. You may say it is the business of the people to deal with future wars now, to provide now for future wars, but we think we should deal with the war that is facing us now. The bill which is now up purports to deal with the provision for jobs for no more than 3½ million, out of the conservatively estimated 11 million men in the country who are now without employment.

The CHAIRMAN. So your organization is in favor of the Lundeen bill but not in favor of this bill?

Mr. McCULLOCH. That is correct.

The CHAIRMAN. Have you a further statement to elaborate your views? Have you a statement in printed form?

Mr. McCULLOCH. No, sir; I have not. I have come to Washington on very short notice and I have not had an opportunity to prepare a statement.

The CHAIRMAN. We will give you the privilege to elaborate your views, if you prepare them in writing and hand the statement to the clerk. We will see that it is placed in the record.

Mr. McCULLOCH. I will be glad to prepare a statement.

May I second what has been said about the inadequacy of dealing with future needs. I appreciate that is all you are attempting to do here. I make the point that you must deal with present needs unless you want the unemployed to become impatient. I find an increasing sullenness on the part of my group. No social-security legislation that is designed to do anything that does not deal with the present will diminish this sullenness.

I want to stress the high standards that should be set up. The standards should be set up in such a way that the States will not be able to set up such inadequate provisions as will not comply with the present condition of the people in the country. Now as to the necessity of setting up high standards I recommend that the committee itself examine some of the hearings of the House Subcommittee on Labor, which has been taking the testimony of groups supporting the Lundeen bill, in order to test the sense of the people and their temper, because it is terribly important that we attempt to deal with the present insecurity.

(The statement previously referred to appears here:)

STATEMENT OF FRANK W. McCULLOCH, CHAIRMAN CHICAGO WORKERS COMMITTEE ON UNEMPLOYMENT

The organization which I am representing in this hearing is composed of unemployed and part-time workers in the city of Chicago. It numbers some 35 different local units and is affiliated with a State-wide federation of the unemployed, known as the "Illinois Workers Alliance". This State organization includes more than 225 local units numbering more than 50,000 men and women in its membership, all of whom are deeply concerned about the security program now being presented to the Congress.

The unemployed heartily endorse the principle of social responsibility for the burdens resulting from unemployment and the other hazards for which provision is made in the Wagner-Lewis bill. We are convinced that no private method of dealing with this problem of economic insecurity can be adequate to the need.

While supporting the basic purpose of this bill, however, we are convinced that without fundamental revisions it will fail tragically in meeting the presently existing situation. It is commonly referred to as furnishing merely a first line of defense against the calamities of the next depression. The hardships and miseries of the present depression, however, are so keenly felt by millions of our men, women, and children that they will be intensely dissatisfied with any program which does not seek to provide immediate protection against the hunger, privation, and haunting fears which are their daily lot. We earnestly urge upon you, therefore, the consideration and enactment of amendments which will provide for immediate security, as well as security against future catastrophes. Anything less would be a mockery of the purposes which this bill proposes to serve, as well as a cruel disappointment to masses of the working people who have been promised help in their present difficulties, as well as insurance against their future needs.

This principle has been embodied in legislation now pending before the House of Representatives, commonly known as the "Lundeen bill" (H. R. 2827). The Chicago Workers Committee has endorsed the basic provisions of this bill and it is receiving the support of a growing number of organizations of unemployed and employed workers throughout the country. You may feel that the provision of immediate security is beyond the proper scope of the legislation before this committee. Perhaps you believe that the \$4,888,000,000 Public Works program sought to be initiated by other pending legislation makes an adequate program for the immediate relief of the unemployed. There is positively no justification, however, for such a feeling. The program does not purport to provide work for more than about a third of those presently unemployed for the limited period of

1 or possibly 1½ years. Meantime, the remaining 7½ million persons not given work must continue to subsist upon the meager doles now provided. If you believe that this subsistence is either adequate or humane, if you do not understand that it is destroying American standards of living, if you do not appreciate that it is causing incalculable human suffering and creating unheard-of economic wastes due to our failure to employ this large supply of willing labor, I invite your careful study of the distribution of relief in almost any part of this country and the disastrous effects already apparent.

Above all, the great mass of the unemployed of this country want jobs. Our desire for an opportunity to earn our living, in a decent, self-respecting, American manner, is paramount. In view of the inadequacy of the present job program, however, the enactment of a security program which makes immediate provision for the needs of our families is essential, if wide-spread suffering and smouldering discontent are to be avoided.

It has been encouraging to have the Federal Government plan positive action to alleviate the hardships resulting from future insecurity. But here again the unemployed are convinced that the Wagner-Lewis bill in its present form does not make adequate provision. An undue reliance is placed upon the various States of the country to enact separate and sufficient security legislation. Some States are unable to do so. Others are presently unwilling. Such State systems as are initiated within the terms of the present bill may vary radically in the protections which they set up. We are convinced that if an adequate protection against the risk of unemployment is to be created there must at least be certain minimum standards set forth in the Federal legislation. Such minimum standards should cover the amount of the benefits to be paid, length of the waiting period, length of the period for payment of the benefits, and qualifications for compensation. In this connection we believe that the benefit provisions recommended to the States by the Committee on Economic Security are not extensive enough to guarantee the maintenance of a proper standard of living over a sufficient period of time. We hope that the bill may be amended to include minimum standards in line with those set forth in the Lundeen bill previously referred to. Nothing less than a Nation-wide system for such substantial protection to American laborers can insure a fair or adequate treatment of this problem.

All of you doubtless feel a very deep concern over the situation to which I have referred. Perhaps all would be willing to consider a more extensive program such as I have suggested if you felt that there were resources available for such a purpose. May I remind you, however, that there are other sources of funds which are not mentioned in this bill, which very readily occur to many American workers. We read, with what emotions I shall not attempt to describe, of increasing individual and corporate incomes in the higher brackets, as reported by the Bureau of Internal Revenue; we see rising prices and a scale of wages, which, in terms of buying power, is actually falling. As the emergency becomes greater and the maldistribution of wealth increases, it seems obvious that a considerable measure of support for the payment of immediate benefits to unemployed workers should be derived from sharply increased income, inheritance, and gift taxes. Our organization is convinced that the system of protection which is set up in this security legislation should provide for a fund which is made up, at least in part, of State contributions derived from these sources. The justice of this proposal is equaled only by its soundness from the point of view of the total economic situation in the country today. No other presently accepted methods can be as effective in the necessary building up of purchasing power without reducing it at some other point.

When the unemployed hear of the difficulties which you face in planning for such an extensive and immediate security program, they also remember the fabulous sums that are appropriated by each Congress in the preparation for wars against other nations. To us the war against human suffering within the borders of our own country is of far greater significance. In view of the inadequate preparations for that war up to the present time it is no wonder that impractical propositions like those of the kindly Dr. Townsend evoke wide-spread popular support. It is for you, however, to make fundamental revisions in the present security act to speed its effectiveness and make more nearly adequate its much-vaunted protection. You should appreciate the growing sense of disillusion on the part of increasing numbers of hitherto patient American working people. I urge you, therefore, to respond to the imperative need, with a broadened legislative program for security, drawn up on the lines of the Lundeen bill.

The CHAIRMAN. Thank you very much. There was a request made by Mr. Irwin that some of these gentlemen here with him be given the privilege to speak. Is Mr. Sinclair here?

STATEMENT OF S. MERWIN SINCLAIR, PRESIDENT OF EXECUTIVES OF STATE COMMISSIONS AND STATE AGENCIES FOR THE BLIND, AND PENNSYLVANIA COUNCIL FOR THE BLIND

Mr. SINCLAIR. I appreciate very much the privilege which you are giving me here in extending the time of the committee, and I will be very brief.

As members of the State Commission we are interested not only in services for those who are blind but also tremendously interested in the services for the prevention of unnecessary blindness. So we are heartily in support of the three amendments suggested by Mr. Irwin and Mr. Carris, the one referring to the section of the bill on old-age assistance, making this assistance available to blind persons at the age of 50, because of the fact that the handicap of blindness on top of the handicap of age in a great majority of cases makes it a practical impossibility for even an employable blind person of 50 years and over to secure employment.

Secondly, we wish to add our support to what has been said favoring the incorporation of section 702 on crippled children in such a way that the child who is suffering under a serious vision impairment may be included in the services set up for crippled children, or by the addition of a phrase necessary to make this provision for crippled children available for those with seriously impaired vision.

The CHAIRMAN. I thank you very much, Mr. Sinclair. The committee will be very glad to consider the suggestions of your organizations, and these others, and Mr. Irwin.

Mr. SINCLAIR. May I submit a written statement?

The CHAIRMAN. You may, but get it in pretty soon, because we are having these printed very quickly.

Mr. L. L. Watts. Mr. Watts represents the American Association of Workers for the Blind and Virginia Commission for the Blind.

STATEMENT OF L. L. WATTS, RICHMOND, VA., VIRGINIA COMMISSION FOR THE BLIND AND THE AMERICAN ASSOCIATION OF WORKERS FOR THE BLIND

Mr. WATTS. Mr. Chairman, I will not take a minute of your time. I will file my brief with your clerk.

(Document referred to is as follows:)

THE AMERICAN ASSOCIATION OF WORKERS FOR THE BLIND,
Richmond, Va., February 12, 1935.

HON. PAT HARRISON,
Chairman United States Senate Finance Committee,
Washington, D. C.

Mr. CHAIRMAN: I am appearing before your committee in behalf of the membership of the American Association of Workers for the Blind respectfully requesting that certain amendments which are herewith attached be incorporated in S. 1130 known as the "Wagner economic security bill."

I think the records will show that this is the first time we have appeared, before any congressional committee requesting financial aid for the blind of this country.

Mr. Chairman and gentlemen of the committee, we are well aware that the Federal Government has given financial assistance to practically every group

of our citizens other than the blind. We think that in all fairness the blind should participate and be benefited by some of this Federal legislation. We are citizens of this great country, and it is through no fault of our own that we are blind and while we have refrained in the past from appealing to you for help we do feel now that it is necessary for us to appear before you in order that we may not be overlooked in the future.

I respectfully submit the attached amendments for your consideration and with the earnest hope that they will be incorporated in S. 1130.

Thank you.

Respectfully yours,

L. L. WATTS, *President.*

PROPOSED AMENDMENT TO S. 1130

A BILL To alleviate the hazards of old age, unemployment, illness, and dependency, to establish a Social Insurance Board in the Department of Labor, to raise revenue, and for other purposes

CARE OF THE BLIND

SEC. 703. (a) In order to enable the Federal Government to cooperate with the State agencies concerned with the amelioration of the condition of the blind and the prevention of blindness, especially in rural districts, there is hereby appropriated for the fiscal year ending June 30, 1936, from funds in the Treasury not otherwise appropriated, the sum of \$1,500,000, and there is hereby authorized to be appropriated \$1,500,000 for each fiscal year thereafter. From these amounts so much, not to exceed 5 per centum, as the Secretary of Labor shall find to be necessary for administering the provisions of this section and for investigations and reports related thereto, shall be deducted annually for this purpose, to be available until expended. The remainder shall be allotted to States for purposes of locating blind persons and providing facilities for diagnosis and care of their eye conditions, vocational training, employment, home teaching, and other social service, and to provide special equipment used in the education and employment of the blind: *Provided*, That no portion of such moneys shall be expended for direct relief, or paid to a blind person, except as compensation for services rendered or as a maintenance subsidy during a period of vocational training; nor shall any portion be paid to any educational institution for the instruction or maintenance of any person under the age of twenty-one. For each fiscal year from the appropriations herein authorized—

(1) The Secretary of Labor shall apportion \$1,000,000 among the States, allotting \$10,000 to each State, and the remainder to States in proportion to the number of certified blind persons registered in each State: *Provided*, That no allotment made to a State under this paragraph shall exceed the sum of the amount made available by the State for the purposes of this section and the amount apportioned to it under paragraph (2) of this subsection.

(2) The Secretary of Labor shall apportion the remainder among States unable, because of severe economic distress, to match in full the amounts allotted under paragraph (1) for their use in matching such sums or for special demonstrations of methods of welfare work for the blind.

(b) The sums provided under paragraph (2) of subsection (a) shall be available for expenditure until the close of the succeeding fiscal year. So much of the amount apportioned under paragraph (1) of subsection (a) to any State for any fiscal year as remains unpaid to such State at the close thereof, shall be available until the close of the succeeding fiscal year for expenditures in that State under the conditions prescribed in such paragraph (1), or, if not requested by the State agency for the welfare of the blind, for allocation to States as provided in such paragraph (2).

(c) In order to receive the benefits of this section a State must, through a State agency concerned with the amelioration of the condition of the blind or, if there be none or more than one such agency, through a State agency designated by the legislature or provisionally designated by the Governor if the legislature be not in session, to cooperate with the Department of Labor under the provisions of this section, submit to the Department of Labor a detailed plan for effectuating the purposes of this section within such State, information concerning the number of certified blind persons resident in the State, and information concerning the amounts made available by the State for the purposes of this section, which should at least equal the amounts made available for similar purposes during the fiscal year next preceding the passage of this act, unless special circumstances can

be shown; and, if an allocation under paragraph (2) of subsection (a) of this section is requested, the conditions leading to such request. A State plan must include reasonable provision for State administration, adequate facilities for locating and certifying blind persons, adequate medical care of the eyes, reasonable provision for vocational training, employment, and home instruction of the blind, and cooperation with medical, health, and welfare groups and organizations. When the Secretary of Labor deems a State plan and the administration thereof to be in reasonable conformity with the provisions of this section, he shall approve the same and send due notice of such approval to the State agency concerned.

(d) For the purposes of this section, a blind person shall be defined to mean one whose vision is insufficient for the ordinary activities of life for which eyesight is essential, such insufficiency of vision to be determined by examination by a regular practicing physician, skilled in diseases of the eye: *Provided*, That such examining physician shall certify in writing the diagnosis, prognosis, and visual acuity of the person examined, and shall state whether in his opinion such person is blind within the meaning of this act and whether there is any likelihood that his vision could be restored or improved by proper treatment, operation, or adjustment of glasses.

OLD-AGE ASSISTANCE

Section 3 to be amended to read as follows:

"Sec. 3. As used in this title, 'old-age assistance' shall mean financial assistance assuring a reasonable subsistence compatible with decency and health to persons not less than sixty-five years of age who, at the time of receiving such financial assistance, are not inmates of public or other charitable institutions: *Provided*, That in the case of a person so blind as to be unable to perform any work for which eyesight is essential, and so certified by a regular practicing physician, skilled in diseases of the eye, the provisions of this act shall apply to such blind person at the age of fifty years.

The CHAIRMAN. Thank you very much. Where do you live, Mr. Watts?

Mr. WATTS. Richmond, Va.

The CHAIRMAN. Thank you. Mr. Latimer of the Pennsylvania Association for the Blind.

STATEMENT OF H. R. LATIMER, PENNSYLVANIA ASSOCIATION FOR THE BLIND

Mr. LATIMER. Mr. Chairman, if I may I will just speak from here to save your time and mine. In representing the Pennsylvania Association for the Blind, which has 14 local branches working concretely and definitely and closely with individual blind people, I am intensely interested in securing the kind of assistance and cooperation from the Federal Government as will enable us, in some measure, to do the things that we have been so untiring in our efforts to do in the past year.

For 45 years I have been trying to bring the indigent blind people on their feet so as to make them independent of relief of any kind. You are engaged today in trying to solve the unemployment situation as it applies to "seeing" people. We have been engaged, throughout my lifetime, in trying to solve the problem of employment for handicapped people, who are just as sincere and earnest and desirous to meet the needs of their families and themselves. Therefore I want to speak in the utmost support of the three suggested amendments which Mr. Irwin has placed before you.

The CHAIRMAN. Thank you, Mr. Latimer. I do not know whether the question was asked, but did your committee, Mr. Irwin, or any member of it present this matter to the Ways and Means Committee which is considering this bill in the House?

Mr. IRWIN. No; we did not.

The CHAIRMAN. There has been no presentation of this question and of these amendments to that committee?

Mr. IRWIN. No.

The CHAIRMAN. All right, thank you very much.

At this point in the record I desire to submit a statement by Mr. Ernest G. Draper, vice president the Hills Bros. Co., New York, City. In addition, there is also submitted a letter which I have received from Mr. C. W. Areson, of the Child Welfare League of America, Inc., New York City, together with accompanying statements from Mr. Areson, Mrs. Blanche La Du, chairman of the Minnesota State Board of Control, and Mrs. Virginia Kletzer, chairman of the Child Welfare Commission of Oregon.

STATEMENT OF ERNEST G. DRAPER, VICE PRESIDENT, THE HILLS BROTHERS CO., NEW YORK CITY

For 15 years I have actively associated myself with those who most vigorously and most continuously have worked for improved methods of employment stabilization, and for some years for the adoption of unemployment-compensation legislation in this country. Approaching this question as an employer, it has been my conviction that a system of compulsory unemployment reserve would not only greatly benefit employees but also, if properly organized, would stimulate better management and promote business stabilization.

As early as 1921 in a published article, I stressed the possibilities of improving employment conditions through stabilization under an appropriate form of unemployment-compensation legislation. Since that time I have seen the development of practical methods in some establishments which suggest in their effectiveness somewhat similar preventive work in reference to accidents under workmen's compensation laws.

I welcome the President's economic-security program as a sound method of brining about unemployment-compensation legislation throughout the country.

In an unemployment crisis such as the present, there is danger that the importance of making unemployment compensation a means of stimulating management to greater efforts to overcome so-called "normal unemployment" may be overlooked. I regret that this tendency has unfortunately been reflected at one point in Senate bill 1130 and H. R. 4142. Section 608 (a) of this bill makes it necessary for States to enact laws requiring at least one-third of the employer's 3-percent contribution to be paid into a single State pool. This pooled fund would be used to subsidize careless or less efficient employers whose failure to stabilize employment results in an excessive rate of unemployment among their employees and a correspondingly high benefit cost. Instead of giving each company or industry full credit for its efforts in reducing unemployment, this provision in S. 1130 and H. R. 4142 would penalize efficient and socially minded employers who go to the trouble and expense of stabilizing their work forces. It would even place a premium upon inefficiency by permitting an inefficient and less scrupulous employer to depend upon his competitors to pay the cost of benefits to his laid-off employees. Surely this violates the sound principle laid down by President Roosevelt in his message on January 17, as follows:

"An unemployment compensation system should be constructed in such a way as to afford every practicable aid and incentive toward the larger purpose of employment stabilization. * * * Moreover, in order to encourage the stabilization of private employment, Federal legislation should not foreclose the States from establishing means for inducing industries to afford an even greater stabilization of employment."

In accordance with this recommendation and following the expressed purpose of leaving to the States freedom to decide for themselves the type of unemployment compensation legislation which best meets their needs, I believe that the Federal measure should not require the pooling of contributions under State laws but should permit States to adopt systems of separate-establishment reserves similar to the only American unemployment compensation law now in force, in Wisconsin.

I am in general agreement with the economic-security program represented by S. 1130 and H. R. 4142. I favor making the unemployment benefits a cost of

production to be paid by the employer alone. I would not object to S. 1130 and H. R. 4142 amended to provide a 3-percent tax from the very beginning in 1936, because I believe that it is urgent to begin as soon as possible to build up the necessary reserves. In my judgment, however, it would be a serious mistake in policy for the Federal legislation to require the pooling of contributions and thus prevent any State from providing the fullest possible incentive to better management and employment stabilization.

CHILD WELFARE LEAGUE OF AMERICA, INC.,
New York, N. Y., February 9, 1935.

HON. PAT HARRISON,
Chairman Senate Finance Committee, Washington, D. C.

DEAR SENATOR HARRISON: I would like to place the central office of this organization on record with your committee as favoring the measures in Senate 1130 for greater security for children, mothers' aid, maternal and child health, crippled children, aid to dependent children, and other welfare services, and participation by the Children's Bureau.

I do not believe it is beyond the competence of the Federal Government to take such steps as are embodied in this bill for the equalization of opportunity among children in the United States. In fact, I think our governmental structure would be open to severe criticism were it not to seize this opportunity for bringing to disadvantaged children throughout the country as even a measure of opportunity as possible. After all these children have nothing to do with where they are born or happen to live and should not be penalized therefor.

Consequently the assistance of the Federal Government in securing effective operation of mothers' pension laws, of insuring that children in rural areas shall be born as safely and successfully as others, that cripples shall not remain hidden away from treatment, and that children in poorer communities will not be deprived of modern social service opportunities, seems to me entirely worthy of support.

I should like to have the committee consider seriously specifying the Children's Bureau as the agent of the Government to administer the mothers' pension sections of the bill, because the Children's Bureau has had more contact with this matter than any governmental department and a permanent measure of this kind ought to be allied with a permanent department. Of course, the creation of a Federal welfare department would be the logical place for such service. The Emergency Relief Administration, admirable as it is, seems to me not quite logical as an administrator of a permanent service. I am enclosing copies of statements on these matters from several of our member organizations: (1) Mrs. Blanche La Du, chairman of the Minnesota State Board of Control; (2) Mrs. Virginia Kletzer, chairman of the Child Welfare League of America; and (3) one of my own based on statistics which

Very truly yours,

C. W. ARSON,
Assistant Executive Director.

MINNESOTA'S STATEMENT TO THE COMMITTEE ON ECONOMIC SECURITY ON CHILD WELFARE IN A GENERAL PROGRAM OF SOCIAL SECURITY

In the State of Minnesota the various provisions for services to children proposed in S. 1130 have been dependent on and promoted by a State-wide program under the direction of the State board of control.

This program, established in 1917 by act of the legislature, placed on the State board of control the responsibility of promoting enforcement of every law for the protection of illegitimate, dependent, neglected, delinquent, and defective children. The board was authorized to organize county child-welfare boards and coordinate the activities of juvenile courts and reputable child-helping agencies. The experience of the State board of control since January 1, 1918, in promoting the program for the protection of children proves the value of the provisions proposed in S. 1130, title VII, section 703.

In Minnesota the State board of control may appoint county child-welfare boards on request of the county boards but the State makes no financial contribution for the administering of the child-welfare services in the county. Support of programs for such services depends on local interest and action of county boards. Because of this generally in only 20 percent of the counties has there been

any organized social service except that of volunteers. However, 92 percent of the counties have had and now have county child-welfare boards. In spite of the fact that no State aid has been available for administrative expense a beneficial program of general service for children, with special emphasis on the handicapped and dependent children has been carried on by volunteer workers through leadership and supervision of the Children's Bureau of the State board of control. This program in counties having only volunteer workers has been instrumental in raising the standards of services to children and has accomplished much. However, in counties which have provided funds for trained workers under organized supervision, a more complete program has achieved far-reaching and more satisfactory results which have been approved by Federal, national, State, and local child-welfare agencies.

In order that there may be an adequate program for the protection and care of homeless, dependent, and neglected children in every county of the State and especially in rural areas, a Federal appropriation to supplement and encourage appropriations by the State for such a program is absolutely essential.

MOTHERS' AID

As a part of the program hereinbefore outlined the board of control is required to promote uniformity and efficiency in the administration of mothers' aid, termed "county allowance" in Minnesota, by the juvenile courts. The law of 1917 provided for a refund by the State of one-third of the disbursements made by the county when the administration in such county was approved by the board of control. However, no appropriation was made by the legislature for such refund except a small sum in 1927 at which time the law providing for refund was repealed. Lack of State aid in administration of mothers' allowance has left the program without centralized supervision which has resulted in lack of uniformity and in inefficient administration.

Federal aid as proposed in S. 1130, title II would undoubtedly stimulate the legislature to make appropriations of substantial contributions and thus enable the board of control to exercise its authority which has been practically lost because of no State aid. Such Federal and State aid added to the appropriations of local subdivisions, inadequate at the present time, should insure, when added to the income of the family, security and reasonable subsistence compatible with decency and health for dependent children in their own homes.

The State board of control is the State agency now designated to supervise aid to mothers of dependent children in their own homes. Administration through such a State agency would conform to rules and regulations of the Federal administrator.

CRIPPLED CHILDREN

Minnesota was the first State in the Union to establish a free hospital for indigent crippled children. This hospital, which is rated as A1 by the American College of Physicians and Surgeons, serves the crippled children of the entire State by providing facilities for free traveling clinics, diagnosis, care, and hospitalization. The allocation of Federal funds for providing after care of these children, which care is now inadequate, would undoubtedly be matched by State funds sufficient to render adequate service. Lack of after care when the child has been returned to its own home offsets many of the benefits derived from diagnosis, treatment, and hospitalization.

MATERNITY AND INFANCY

Minnesota has taken advantage of all opportunities provided by the Shepherd-Towner Act and subsequent acts for the matching of Federal funds for furthering and strengthening State and local health services to mothers and children, and extending maternity nursing service to the entire State, especially in counties predominately rural.

The State board of control has cooperated through the Children's Bureau and through service on the State board of directors of the maternity and child-health program of the State board of health. There is no service in a welfare program for children of greater importance or more deserving of support by both Federal and State funds. We urge the allocation of sufficient funds to insure a program of adequate protection for maternity and child health.

In conclusion, on behalf of the welfare of the dependent and handicapped children of Minnesota and of these United States, we wish to respectfully urge that adequate Federal appropriations be made at this time for a program of general security for child health and protection. It is appropriate that the Federal Government come to the aid of the States and local communities in this time of extreme financial distress in order that the welfare of our children may be so protected as to insure the health and happiness not only of the present but of future generations.

MINNESOTA STATE BOARD OF CONTROL,
By BLANCHE L. LADU, *Chairman*.

STATEMENT BY C. W. ARESON, ASSISTANT EXECUTIVE DIRECTOR, CHILD WELFARE LEAGUE OF AMERICA, 130 EAST TWENTY-SECOND STREET, NEW YORK CITY, ON CERTAIN PROVISIONS OF THE SECURITY BILL S. 1130

I should like to comment briefly on title VII, sections 703 and 704 in favor of participation by the Children's Bureau in organization of child welfare services to redress glaring inequalities suffered by children in certain sections of the country. It is our opinion that such inequalities arise far more often from lack of proper organization of services to use available resources than from lack of money. It is rather common experience for the Child Welfare League to find in communities an expenditure of money that is adequate but applied ineffectively so that the available funds do not reach the largest number of children who need service. A striking example of results that may be secured even where funds are limited is presented by the Child Welfare Department of the State of Alabama, whose per capita wealth is one of the lowest but whose services to these children are more evenly spread and in many ways more effective than in numerous States far more able financially.

In assembling statistics for the White House Conference of 1930 the Child Welfare League of America found certain very striking contrasts which I wish to present briefly to the committee. Unfortunately these appear to be as between certain Northern and certain Southern States but this should not invalidate their meaning since in the compilation of the statistics from the Southern States Negro children are not included, and three, at least, of the Northern States are newer in population development and not above the average in per capita resources. The Northern States are: Massachusetts, Indiana, Wisconsin, and Minnesota.

The Southern States are: Virginia, North and South Carolina, Tennessee, Georgia, Alabama.

The statistics reflect the number of children per 10,000 of population (1) both of whose parents are dead; (2) whose fathers are dead; (3) whose mothers are dead; and who, in their respective States are in the care of agencies and institutions and not being cared for either in their own remaining homes or the homes of relatives.

Full orphans, that is, children with both parents dead, average 5¼ in the first group and 17¼ in the second group.

Children whose fathers are dead, that is, the type of families commonly aided by mothers' pensions or mothers' aid, average 12 in the first group and 30¼ in the second group.

By contrast, children whose mothers are dead, the type most obviously in need of other home or institution care, average 20½ in the first group and 15¼ in the second group.

From the figures quoted it appears that a quite abnormal number of full orphans are occupying space in the institutions and agencies of the second group and are not being permanently provided for with new homes as their orphanage requires. Analyses of a large number of institution populations indicate that the numbers of orphans in the second group are at least 50 percent too high for this class. This seems to us to reflect the lack of sufficient service of the right sort to get these children into new and permanent homes.

With respect to children whose fathers are dead it is very obvious that in the second group an abnormal number are in institutions and agencies. This is the group ordinarily cared for at home by their mothers who receive support from mothers' aid or mothers' pensions and their abnormal number reflects the lack of development of this type of aid. This comment, of course, would reinforce our approval of title II, sections 202 to 211. It is now recognized, without the necessity of comment, that maintaining children from families of this type in institutions or agencies is a much more expensive process than assisting their

mothers to maintain them in their own homes, as well as less satisfactory for the maintenance of the family unit.

I presume that in consequence of the overloading of institutions and agencies by orphans and by children whose fathers are dead, there is less room available for children whose mothers are dead. In the first group these were 20½ and in the second group 15½, a reversal of the order of preceding statistics. Ordinarily children of this group should outnumber both the others in the care of agencies and institutions for the obvious reason that when the mother dies the chances of a father maintaining a suitable home for the children are much less than when the mother remains with the family. One can only conclude that there are numbers of motherless children left with relatives and others who would be afforded definite assistance were the resources of their States organized for this purpose. It should not be overlooked that the abnormal loads from certain groups, ordinarily cared for otherwise, prevent these institutions and agencies from accepting neglected and abused children out of families that are not suitable for their upbringing.

Those who know the rapid development which certain of the States in the second group have been accomplishing in recent years will correctly see in the above figures and discussion only the fact that the States in the second group have not progressed as far as certain other States. In fact, the admirable development in certain of those States constitutes the strongest ground for approving sections 703 and 704, title VII, which will enable the Children's Bureau to assist States that are actually endeavoring to assist themselves, though they may be somewhat handicapped in doing so. North Carolina is an excellent illustration of service conceived in broad lines but needing assistance to make it entirely effective.

There seems to us no reason in fairness why children should not receive approximately the same opportunities in various parts of the United States and we believe the sections of this bill will tend to accomplish this and we therefore favor it.

STATE OF OREGON CHILD WELFARE COMMISSION.

Portland, Oreg., January 31, 1935.

Mr. C. W. ARESON,

Assistant Executive Director, Child Welfare League of America, Inc.,

New York, N. Y.

DEAR MR. ARESON: After a careful reading of the child-welfare measures provided by the Wagner bill, I hasten to express my hearty endorsement, with one exception. The question arises why the Federal authority for aid to dependent children and the Federal authority for service to dependent and neglected children do not both rest in the United States Children's Bureau, instead of splitting the authority in the children's field, as is done in the Wagner bill by placing administration of aid to dependent children in the F. E. R. A. and that for child-welfare services in the Children's Bureau. To me it seems that the Children's Bureau is the logical Federal authority for both of these functions. This division of authority will, in our opinion, make for confusion and complications in administration because some of the neglected children will be members of families without more than one adult in the home and families who need and secure relief. Such a family should not be subject to two sources of supervision when one will serve more efficiently.

The Oregon law provides for dependent mothers of dependent minor children, but it fails to provide for either State supervision of administration or any equalization fund. Accordingly, there are 36 varieties of administration in the 36 counties of Oregon. A mother living on one side of a county line may suffer for necessities, while a mother in identical circumstances across the county line may receive adequate assistance. The State supervision which the Wagner bill requires will reduce these inequalities of treatment of mothers in need of help. Through its provision for an equalization fund it will place the State in a position to respond with greatest aid where greatest need exists. This is an important provision.

The latest figures assembled on a State-wide basis list five Oregon counties that have made no appropriation for mothers' pensions. Three of these are in the drought area, where the most acute need exists. These are Jefferson, Malheur, and Wheeler. Naturally in counties where special reasons exist for inability of residents to pay taxes, credit is more difficult to secure, and poor people have a more difficult time of it than in the other counties. The State should assist such

counties more, but unless it has authority for doing so, and the wherewithal for doing so, it cannot function in this way. The Wagner bill provides these.

Some of the most menacing situations to children that have come to the attention of the Oregon Child Welfare Commission involve families living back in the hills distant from railroads and highways. Often these families live in counties not provided with social workers, counties where no adequate local program exists for social service. This explains directly why the Oregon figures assembled last year by the American Public Welfare Association show so sharp a contrast to those for the country as a whole.

"For the United States as a whole, figures from the United States Children's Bureau show that children in institutions had decreased about 11 percent from 1929 to 1933. During the same period Oregon shows nearly a 25-percent increase in the average daily population of children in State-aided institutions."¹

The commission is convinced that adequate local case work service in rural counties will prevent the break-up of some homes, will reduce the number of children separated from their families and placed in foster care, and will reduce the periods of foster care for many children for whom long-time care is now necessary because nothing is being done in their counties of residence toward rehabilitation of their homes. Oregon has record of some children normal mentally and physically now adolescent who have spent their entire lives in institutions. The State Child Welfare Commission does not approve this program but appears unable to control it because of lack of local service in the counties.

Juvenile delinquency as a sequence of neglect long continued often comes to light in Oregon with convincing evidence that early attention to a wrong home or a wrong community situation could easily have prevented the disaster to the child and the disgrace to his family. In this field of child protection in the counties as well as in the field of administration of relief, social case work is conspicuous for its absence. In my opinion the Wagner bill's provision for skilled services to dependent and neglected children in rural areas is its most fundamental value to the cause of children.

Sincerely yours,

CHILD WELFARE COMMISSION,
By (Mrs.). VIRGINIA KLETZER

VK: DB

The CHAIRMAN. The committee will recess until 10 o'clock tomorrow morning.

(Whereupon at the hour of 12:15 p. m. the committee recessed until 10 a. m. of the following day, Wednesday, Feb. 13, 1935.)

¹ American Public Welfare Association: Survey of Public Welfare in Oregon, p. 33.

ECONOMIC SECURITY ACT

HEARINGS

BEFORE

THE COMMITTEE ON FINANCE UNITED STATES SENATE

SEVENTY-FOURTH CONGRESS

FIRST SESSION

ON

S. 1130

A BILL TO ALLEVIATE THE HAZARDS OF OLD AGE,
UNEMPLOYMENT, ILLNESS, AND DEPENDENCY,
TO ESTABLISH A SOCIAL INSURANCE BOARD
IN THE DEPARTMENT OF LABOR, TO
RAISE REVENUE, AND FOR
OTHER PURPOSES

PART 10

FEBRUARY 13, 14, AND 15, 1935



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Stat

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ECONOMIC SECURITY ACT

WEDNESDAY, FEBRUARY 13, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. Mr. Morrow.

STATEMENT OF L. C. MORROW, OF THE MCGRAW-HILL PUBLISHING CO., EDITOR OF FACTORY MANAGEMENT AND MAINTENANCE, REPRESENTING THE NATIONAL PUBLISHERS' ASSOCIATION

The CHAIRMAN. You represent the Associated Business Papers, Inc.?

Mr. MORROW. I represent the publishing division of the National Publishers' Association. I have a rather carefully prepared brief, Mr. Chairman, which I would like to submit for the record.

The CHAIRMAN. You may submit the brief and then you may call attention to any particular feature that you care to.

Mr. MORROW. I would like to summarize the brief for the benefit of the committee.

The CHAIRMAN. All right.

Mr. MORROW. The business press has a very large proportion of pay roll to total expenditures, and according to figures that I have compiled representing the income and expenses for 84 business publications during the year 1934 the imposition of a 3-percent tax on pay rolls would have been the equivalent of a 25-percent tax on net profits. The imposition of a 4-percent tax would have meant the equivalent of a 35-percent tax on net profits, and in the same way the 5-percent pay-roll tax would have meant a 45-percent tax on net profits. The business publishers therefore feel that such a step as proposed in the Social Security Act should be taken gradually.

It is in sympathy with the aims and objectives of the act. It feels, however, that the minor proposals in the bill should be segregated, leaving for individual bills the matters of old-age pensions and unemployment compensation.

I thought that the business press should also be able to give, to some extent, the reactions of industry at a hearing like this and so my associates and I have asked industry for their opinions. We have replies, by means of telegraph and letter, from the representatives of 24 industries. Those I summarize in this way: That industry, as a whole, is favorable toward the aims of social security and believes

that some such legislation must be in effect some day: It is fearful of the effect of the immediate passage of all of the provisions of the act upon recovery. It feels that recovery has begun, that it is necessary to regain the confidence that has been engendered and that any sudden imposition of a pay-roll tax up to 5 percent, which is proposed by the bill, would retard recovery.

To some extent industry questions those provisions of the act which refer to the limitations on labor and feels that, as written, the legislation discriminates in favor of the professional union.

I find also that there has not been time enough for industry to give as careful consideration to the bill as it would like. That is because the manufacturing industries have been very busy with codes. They have been very busy doing everything they possibly can, to take advantage of the small recovery that we have had. The bill has been available for a relatively short time and when it is considered that the survey committee itself, and other people, have taken months and years for consideration of the details, industry feels that it should have a much longer time.

I can summarize my statements, then, Mr. Chairman, by saying that industry and the business should appreciate very much, very slow action in regard to the bill, particularly old-age pensions and unemployment security.

Thank you, sir.

The CHAIRMAN. Thank you Mr. Morrow.

(The brief referred to by Mr. Morrow is as follows:)

STATEMENT OF L. C. MORROW, OF THE MCGRAW-HILL PUBLISHING CO., EDITOR OF FACTORY MANAGEMENT AND MAINTENANCE, REPRESENTING THE NATIONAL PUBLISHERS' ASSOCIATION

It is my purpose to convey to this committee my interpretation of the attitude of industry toward the Social Security Act. A quick survey, made by telegraph and telephone within the past few days, convinces me that no categorical analysis of industry's attitude can be made, because industry is only in the process of making up its mind. I have in hand communications from several associations representing large groups of employers to the effect that consideration of social legislation is under way and that meetings have been scheduled, but that the association officials are as yet without benefit of a united opinion.

I have, also, from editors of industry publications, telegrams and letters which indicate that the industries they represent are equally unready to pass final judgment upon such important legislation.

It is to be expected that this condition would obtain. The Wagner-Lewis-Doughton bills are extensive; they propose legislation dealing with nine phases of social conditions. The bills have been available to the public for a short time only. The report of the Economic Security Committee, which must be examined carefully in any serious study, is itself voluminous. In addition to this report are the opinions of experts, actuarial and otherwise, with which industry feels it must become familiar, and which are reported in the daily press as being not always in agreement.

Despite this condition of unreadiness to be committed to all the provisions of the Social Security Act, there exists, in my opinion, a generally favorable attitude on the part of industry toward the aims and objectives of social-security legislation.

There is grave doubt, however, that the act, as written, is a practicable, working measure. There is much sentiment in favor of rewriting the act into several bills, and there is reason to believe that if so rewritten there would be little opposition on the part of industry to those parts of the legislation having to do with old-age assistance, aid to dependent children, maternal and child health, crippled children, child-welfare services, and public health.

There is much question as to whether or not Government operation of annuities is participation in the insurance business to an extent that would provide unwarranted competition with private companies engaged in the insurance business.

With separate treatment of the provisions of the act that I have just enumerated, there would remain the two major provisions to be treated in separate bills, namely, old-age pensions and unemployment compensation. It is with these two subjects that industry is chiefly concerned.

Why it is concerned it is not difficult to understand. In the year of greatest prosperity, 1929, the average net income for the manufacturing industries reporting for income-tax purposes under the classification "Consolidated corporation returns", was 6.8 percent of total income. On the basis of this percentage, the net income for all manufacturing industries in that year was approximately 4 billions. Wages and salaries for that year, all manufacturing industries, amounted to 16 billions, in round numbers. Only a 3-percent tax on the pay rolls of that year would have been equivalent to an 11.7-percent tax on net profits. This can be compared with a 13¼-percent income tax on corporation incomes.

To apply this calculation to a specific industry, that of the business press, I have figures to show that a 3-percent tax on pay rolls in 1934 would have been equivalent to a 26-percent tax on net income. A 4-percent tax on pay rolls would have been equivalent to a 35-percent tax on net income, and a 5-percent pay-roll tax would have meant the equivalent of a 45-percent tax on net income. That these figures are so high is because of the extraordinary proportion of publishing expenses going into pay roll.

There is an obvious objection to this method of considering a pay-roll tax. It is that the tax should be compared with gross instead of net income because the tax is intended to become a part of the cost of doing business, and is expected to be passed on to the consumer.

Of its ability to pass on such costs to the consumer, without retarding recovery, industry is frankly dubious. It recognizes the law of diminishing returns, and knows that decreased sales as a result of increased prices result in decreased employment and begin the vicious spiral with which we are all so familiar. It has reason to believe, also that a given tax on pay roll is likely to result in disproportionately higher costs in manufacturing. The committee on stabilization of employment, Ohio Manufacturers Association, in 1932 estimated that a tax of 2 percent on all pay rolls may result in a 10-percent increase in the cost of manufacture. That this condition may result is due in part to the custom of considering burden, or overhead, as having a fixed relation to labor costs.

It is worthy of consideration in this connection to note that in the business-publications industry it would not be an easy matter to pass on to customers the increased costs that would result from this legislation. In the first place, orders usually are placed from 1 to 3 years in advance and prices cannot be changed during the contract period. Second, experience has shown that when increased rates are predicated on no other basis than that they are necessary to meet increased costs, the volume of business tends to fall off and thus offset the effect of the increased prices.

In any industry where a comparable relationship between total costs and pay rolls exists, there is likely to be objection to the act because of high cost.

In addition to these questions raised by industry others have arisen:

Should not the unemployment compensation fund be collected and disbursed in accordance with a uniform Federal system?

Should not the Federal subsidy system be employed?

Is the old-age pension set-up solvent at the start, and is it to remain so?

Has the best means of financing old-age pensions and unemployment compensation been devised?

There is evidence that industry disagrees with the provisions of section 602 (e), feeling that those provisions favor trade-union membership to the detriment of the employee representation type of organization, and tend toward the continuation of strife in industrial labor relations.

There is some feeling that the German social legislation, from which this country should secure guidance, has not proved workable. This feeling is in part justified by statements such as the following made by Gustav Hartz, German economist:

"In States governed by parliaments with equal votes for all, the opposition, unembarrassed by responsibility, use social-political aspirations as the most efficient auxiliary for canvassing among the working classes. Whosoever promises most gets the most votes and with them the greatest political power. Social democracy in Germany, until its collapse, owed a great deal of its success to social insurance. Social insurance was created in the struggle against social democracy. It becomes the strongest aid in forming political opinion in their favor."

My principal conclusion, the point that I wish most to emphasize, is that those parts of the social legislation being considered that are devoted to old-age pensions and unemployment compensation should not be hastily adopted. Even if 2 more years were given to study, a negligible amount of time would be lost, when time is measured in relation to history. The most careful consideration of the opinions of all concerned is urged because, by its very nature, social legislation is one kind of legislation that, once taken up, cannot be abandoned.

* * * * *

In support of the several statements that I have made in this brief, I attach appendixes showing.

- (1) The derivation of the percentage figures setting up the relationship between a 3-percent pay-roll tax and net income for the manufacturing industries, year 1929.
- (2) The derivation of similar figures for the business periodical publishing industry, year 1934.
- (3) The telegrams and letters referred to.

APPENDIX I

Relation of 3-percent pay-roll tax to net income, manufacturing industries, 1929

[Sources of Statistics: U. S. Census of Manufactures and Statistics of Income for 1929, U. S. Treasury Department]

Gross income, consolidated corporation returns.....	\$41, 233, 953, 245
Net income, consolidated corporation returns.....	2, 801, 292, 376
Net income in percentage.....	6. 8
Value of sales, all manufacturing industries.....	\$59, 354, 616, 000
Wages.....	11, 620, 973, 254
Salaries, including salaries for employees of central administration offices.....	4, 195, 501, 392

6.8 percent of value of sales=\$4,036,113,888 net income.

3 percent (pay-roll tax) of total wages and salaries=\$474,494,239.

This tax is 11.7 percent of the net income.

APPENDIX II

Income and pay rolls, business paper division periodical publishing industry, year 1934

The following statement has been carefully compiled from accurate statements submitted by 84 representative publications, including monthlies, semimonthlies, and weeklies, comprising in gross volume of business about 25 percent of the industry:

Gross income from all operations.....	\$11, 311, 575
Salaries and other recommendations paid to employees.....	4, 465, 921
Portion of mechanical costs, materials, etc., represented by pay rolls.....	2, 062, 387
Total salaries and other remuneration.....	6, 528, 308
Other costs.....	4, 044, 737
	<u>10, 563, 045</u>
Net income.....	748, 530

A 3-percent tax on pay rolls of \$6,528,308 would aggregate \$195,848 or 26 percent of the net income.

A 4-percent tax on pay rolls of \$6,528,308 would aggregate \$261,132 or 35 percent of the net income.

A 5-percent tax on pay rolls of \$6,528,308 would aggregate \$336,415 or 45 percent of net income.

It should be borne in mind that in determining pay rolls which are used as a base for the tax provided in this legislation, we have only considered the pay rolls of companies immediately engaged in the industry and those in service organizations, such as printers, engravers, etc., engaged in the mechanical operations in

the production of periodicals for the publishing companies considered. It is obviously difficult to determine the increased costs which will result from the ultimate passing on of the tax on many other items of cost entering into the operations of units in the industry, such as traveling expenses, stationery, rents, etc.

APPENDIX III.—TELEGRAMS AND LETTERS

SAN FRANCISCO, CALIF., *February 5, 1935.*

H. C. PARMELEE,
Editor Engineering and Mining Journal:

Proper kind of social insurance desirable if not too large drain on business and does not result in too great tax on industry.

CALIFORNIA METAL & MINERAL PRODUCERS ASSOCIATION.

CHICAGO, ILL., *February 5, 1935.*

L. V. BURTON,
Editor Food Industries:

Our association has not yet determined attitude Social Security Act.

MILTON HULT,
President International Association of Milk Dealers.

WASHINGTON, D. C., *February 5, 1935.*

L. V. BURTON,
Editor Food Industries,
McGraw-Hill Building, New York City:

Our counsel studying bill at request of legislative committee which will take no position until after report of counsel.

FRANK E. GORRELL,
Secretary National Cannery Association.

CHICAGO, ILL., *February 6, 1935.*

L. V. BURTON,
Editor Food Industries,
330 West Forty-second Street:

Retel fifth industry members have not expressed selves on Social Security Act. Association by virtue on its membership represented by national chamber of commerce.

NATIONAL CONFECTIONERS ASSOCIATION.

NEW YORK, N. Y., *February 6, 1935.*

DOUGLAS C. WOOLF,
Editor Textile World,
330 West Forty-second Street.

Our legislative committee has social-service legislation under advisement and has reached no conclusion; therefore, sorry cannot express opinion today.

PETER VAN HORN,
President National Federation of Textiles.

WASHINGTON, D. C., *February 5, 1935.*

SIDNEY A. HALE,
Editor Coal Age,
330 West Forty-second Street, New York.

Your wire. Owing to the uncertainty of social-securities proposal, our board of directors has taken no position on this matter up to this time. I am not at all sure just what the final suggestion of the Government will be.

J. D. BATTLE,
Secretary National Coal Association,
Washington, D. C.

PHILADELPHIA, PA., February 6, 1935.

J. A. CHANNON,
Editor, Mill Supplies.
 (Care McGraw Hill Publishing Co.)

Approve objectives Social Security Act but believe system should be introduced gradually in an uniform manner in all States and that greater proportion of cost should be borne by individual States rather than National Government, and that employees should participate.

GEORGE A. FERNLEY,
Secretary-treasurer, National Supply and Machinery Distributors Ass'n.

NEW YORK, N. Y., February 5, 1935.

SAM WILLIAMS,
Editor, Electrical Contracting,
New York, N. Y.:

The Social Securities Act now being considered before Congress has an important position in our present activities but believe that the subject is one of such great importance that no effort should be made in finally passing the act by Congress but should be withheld for future study and recommendation. We do not favor the enactment of new State legislation by States that would reflect a similar condition as presented in the recommended act.

NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION,
 L. E. MAYER, *President.*

NEW YORK, N. Y., February 5, 1935.

JOHN A. MILLER,
Editor Transit Journal, New York City:

Regarding your inquiry as to social-security legislation proposed in S. 1130, now under consideration by congressional committees, please note unfair and unsound position in which transit industry finds itself under unemployment-insurance provisions, title 6 of proposed measure. Bill proposes apply 3-percent Federal pay-roll tax with no distinction between industries affording stabilized employment and those highly unstabilized and subject wide seasonal fluctuation. Nor is any provision made for recognition of financial condition of employer. Thus many transit companies affording employees stabilized year-around employment and beset with serious financial difficulty in their effort maintain essential public service are to be called upon pay same tax as industries operating profitably with highly unstabilized employment conditions. In this respect proposed Federal act obviously inequitable and fails recognize essential principles. Modifications which would apportion burden more equitably between industries on basis employment stability and financial condition urgently needed by transit industry with 200,000 employees.

CHARLES GORDON,
Managing Director American Transit Association.

OMAHA, NEBR., February 6, 1935.

SYDNEY A. HALE,
Editor, Coal Age,
330 West Forty-second Street, New York, N. Y.:

Unable short time to give you any concrete advice on social-securities acts.

EUGENE McAULIFFE,
President Union Pacific Coal Co.

CHICAGO, ILL., February 6, 1935.

MALCOLM MUIR,
President McGraw-Hill Publishing Co.,
330 West Forty-second Street, New York, N. Y.:

Cost of unemployment insurance and old-age pension legislation probably will affect our industry same as others. It should be noted that a large percentage

of employees in meat-packing industry have been working under 32-hour-week guaranty. Therefore seems doubtful whether unemployment insurance would have much further effect in regularizing work.

PAUL I. ALDRICH,
Publisher and Editor the National Provisioner.

CHICAGO, ILL., February 5, 1935.

MALCOLM MUIR,
President McGraw-Hill Publishing Co.

Millers holding passive attitude on Wagner and Lewis bills. Little opposition developing because of feeling that some legislation of this character is inevitable and that proposed bills are saner than Townsendism or similar wild proposals; however, pay-roll tax is deemed mistake since it may lead to further pruning of working force and more unemployment.

NEWTON C. EVANS,
Vice President and Managing Editor, American Miller.

CHICAGO, ILL., February 5, 1935.

K. H. CONDIT,
*Editor, American Machinist,
New York City.*

Have not yet taken official position Social Security Act. Our representative appearing at hearing.

NATIONAL METAL TRADES ASSOCIATION.

KENNETH CONDIT,
Editor American Machinist:

While our association has taken no definite action regarding social security act, best opinion is that we go along with White Sulphur recommendations.

NATIONAL MACHINE TOOL BUILDERS ASSOCIATION.
HERMAN H. LIND.

CLEVELAND, OHIO, February 6, 1935.

K. H. CONDIT,
Editor American Machinist:

Retel executive committee our industry at January meeting approved as its position the declarations of the Joint Business Conference for Economic Recovery, White Sulphur meeting. Present proposed bills indicate need for investigation proposed in those declarations.

METAL AND ALLIED PRODUCTS ASSOCIATION.
JOHN W. OLEARY.

CHICAGO, ILL., February 6, 1935.

The "Declarations" referred to in these two telegrams are those of the Joint Business Conference for Economic Recovery, as follows:

RELIEF

"Relief of distress caused by unemployment is one of the foremost problems confronting the Nation. Management, employees, and all other social groups share in the responsibility of solving this relief problem and in promoting the reemployment in productive enterprises of those now idle.

"Society recognizes that distress should be relieved. The most effective solution of the problem of unemployment and relief is the creation of such confidence between industry and the Government that business can proceed with plans to develop new industries, to enlarge existing enterprises, and freely to place private capital in the investment field. This conference believes the following principles should guide the granting of relief:

"1. Relief is not properly a function of the Federal Government, but is primarily the obligation of the family, of private charity, of the municipality, and of the State. The Federal Government should aid only when absolutely necessary. An unwillingness on the part of some States and municipalities fully to share in relief aid is manifest. A constructive step in overcoming this reluctance would be to return to the States as soon as practicable the burden of relief.

"2. Relief should be administered by local agencies with the sympathetic cooperation of civic-minded citizens, conversant with local conditions.

"3. All forms of relief should be under local centralized control and should, where practicable, be granted in connection with properly organized agencies which will first endeavor to supply work in private industry.

"4. The balancing of the Federal Budget will provide confidence, stimulate private initiative, and increase opportunities for private employment. The creation of public works for the purpose of providing relief invites waste and definitely defers a balanced budget. In those projects to which the Government is already committed, the wage rate paid for work relief in any locality should always be substantially less than the going rate for similar work in private industry, thus supplying a definite incentive to engage in private employment. Direct-relief payments should always be materially lower than rates paid for work relief in the same locality.

"5. For those out of work employment on useful public-construction projects not created primarily for the purposes of relief and at wages not in excess of the direct-relief payments which they would otherwise receive should be encouraged in order that long-continued idleness with its unfortunate effects, both physical and moral, may wherever possible be avoided."

WILKINSBURG, PA., February 6, 1935.

KENNETH H. CONDIT,
Editor American Machinist.

Re your wire 5th attitude this industry social security act too momentous a problem to be hastily dealt with. The practicability of such a plan must be proved beforehand with due consideration to the ability of industry to carry the increased burden with the effect of resulting increasing prices, retarding consumption. Our recommendation is that out of the experience already gained by leading industries it should be possible for all industry through trade association with the cooperation of the Government as in the N. R. A. to make applicable workable provision for fair and equitable social security against old age, accident, and illness for all employees entitled to it through faithful service.

J. C. McQUISTON,
American Gear and Manufacturers Association.

ASSOCIATED INDUSTRIES OF MASSACHUSETTS,
Boston, February 5, 1935.

Mr. L. C. MORROW,
Editor Factory Management and Maintenance,
New York, N. Y.

MY DEAR MR. MORROW: Replying to your wire of even date, permit me to say that the advisory committee on legislative policies and appointments of the Associated Industries of Massachusetts will not meet until 2 p.m., Wednesday, February 6, for the purpose of giving consideration to the Social Security Act, and deciding upon a policy which it will recommend to the executive committee of this association at its regular monthly meeting on Friday, February 8, beginning at 10:30 a. m.

Consequently, I cannot wire you by tomorrow noon the attitude of this association as it is not yet determined, and even after the meeting tomorrow, it would not be prudent for me so to do, because the final policy of the organization must be determined by the executive body at its meeting 2 days later.

Very truly yours,

O. L. STONE,
General Manager.

NEW ENGLAND COUNCIL,
ECONOMIC DEVELOPMENT AND RESEARCH,
Boston, Mass., February 5, 1935.

Mr. L. C. MORROW,
Editor Factory Management and Maintenance,
McGraw-Hill Publishing Co., New York City.

DEAR MR. MORROW: The New England Council has not, through a committee or otherwise, made any study of the proposed Social Security Act, and we therefore have no official attitude with respect thereto that we can communicate to you in response to your telegram received this afternoon.

Sincerely yours,

DUDLEY HARMON,
Executive Vice President.

NEW YORK, N. Y., *February 6, 1935.*

MALCOLM MUIR,
President McGraw Hill Publishing Co.:

It is not clear how building contractors from small to large subcontractors, working foremen, and the several million unorganized building mechanics in the suburbs, smaller cities, and rural communities can be effectively brought under the social security plan because of the discontinuous character of operations in this field. More days per year of employment for building-trades workers and their managers is a challenging objective. If proposed legislation can help to solve this problem and reach this objective without imposing too great costs, it would benefit both the building industry and the owners of homes and other buildings.

BERNARD L. JOHNSON,
Editor, American Builder, Chicago.

CLEVELAND, OHIO,
February 5, 1935.

MALCOLM MUIR,
President McGraw-Hill Publishing Co.:

Social legislation would cost iron, steel, and allied industries estimated 37 million annually at beginning and mounting gradually to maximum 140 million annually. Steel industry generally favors principle pensions and unemployment funds but suspicious hastily drawn bill. Will protest inclusion hidden clauses discriminating in favor members professional labor unions. Would strongly prefer legislation thoroughly divorcing administration of pension and unemployment plans from political influence and if possible uniform plans under private control but with Government supervision.

E. L. SHANER,
"Steel", Cleveland, Ohio.

ST. LOUIS, Mo., *February 5, 1935.*

MALCOLM MUIR,
President McGraw-Hill Publishing Co.:

Re tel. difficult to foresee direct benefit to paint industry from enactment of social legislation other than shared by all business if objective of greater stability can be obtained. Seems to be no doubt that there is increasing public demand for this sort of thing, but wonder whether public will expect to pay in the form of sales taxes, etc., or whether it is generally believed that public Treasury is inexhaustible or anticipated that business will be made to pay. Seems time that all programs of Government expenditure should anticipate raising of necessary revenue and that steps should be taken toward balancing of the budget.

GEORGE H. PRIEST, Jr.,
Editor American Paint Journal.

CHICAGO, ILL., February 6, 1935.

MALCOLM MUIR,

President McGraw Hill Publishing Co., New York:

Add my wire today. I speak feelingly and knowingly of the necessity for sound management of proposed social legislation, as the oil industry has suffered much from dishonest and incompetent government supervision. How far the dishonesty has gone I do not know, but I do know the incompetence goes straight to oil dictator, Ickes, and to Roosevelt for keeping him there. If Ickes were to run these proposed social activities as he has tried to run the oil industry, he would completely wreck this country. Do not think you can emphasize this point and this example too much. Read this telegram, if you will, at your hearing. The Cole Congressional Committee investigating the oil industry politely but firmly reported against Ickes having anything more to do with the oil industry.

WARREN C. PLATT,

National Petroleum News, Cleveland, Ohio.

NATIONAL PETROLEUM NEWS,
Cleveland, Ohio, February 5, 1935.

Mr. MALCOLM MUIR,

President McGraw Hill Publishing Co., New York.

DEAR MR. MUIR: Your wire today; most if not all of bigger oil companies now have, and some have had for many years, various forms of pensions, sick and death benefits, and generous policies on most lay-offs. But perhaps some 20 to 25 thousand small but legitimate oil companies in producing and marketing with a few in refining have no such plans.

The marketing branch of the industry is in violent competition right now with some 200,000 and more price-cutting retail dealers, cooperative oil companies, and straight price cutters who have no protective features for their employees. If these last were forced to contribute to such protection as bigger companies are now doing, it might help to lessen some of their price cutting by bringing up their costs.

Of course, companies now protecting their employees should not be forced to pay twice or pay for their competitors' employees.

My personal opinion of all this proposed legislation is that if it can be kept on a sound actuarial basis as life, fire, and accident insurance, industry would do well to take it on provided it could be administered and managed free from political influence of every kind both honest and dishonest. But I fear for the incompetence and dishonesty of management if run by the Government, as well as the greediness of radicals in trying to milk the so-called "rich." We have not asked nor had any opinion from the industry at large, on this subject.

Yours very truly,

NATIONAL PETROLEUM NEWS,
WARREN C. PLATT.

BUS TRANSPORTATION,
New York, N. Y., February 6, 1935.

Mr. MALCOLM MUIR,

President McGraw-Hill Publishing Co., Inc., New York, N. Y.

DEAR MR. MUIR: In reply to your request for a statement of the attitude of the bus industry toward social-security legislation, it is my opinion the industry in general realizes that some form of social-security legislation may be necessary and I believe the industry is not too strongly opposed to the general principles involved although busmen are urging that the Government proceed with caution and consider all of the factors involved before taking final action.

The utmost care must be taken not to add financial burdens that may prove intolerable to a business that is just beginning to feel the benefits of the general revival in trade and industry, but is as yet far from being in a stable condition or on a profitable basis.

In formulating recommendations the bus industry must be considered in two parts, i. e., carriers operating purely local and suburban service, and carriers in intercity and interstate service. The two divisions of the industry should be treated separately. This was found necessary under the N. R. A. codes. With city and local companies, for instance, wages absorb approximately 44 percent of the total revenues. An additional levy for social insurance would bring their

employees wage and insurance costs to close to 50 percent of gross revenues. On the other hand, intercity carriers as a whole pay only 29 percent of their revenues in wages. In this latter group carriers operating distances of under 300 miles fare worse, than those operating longer distances, their percentage of gross revenue paid out in wages and salaries raging from 33 to 36 percent.

Coordinator Eastman in his recent report has recommended the establishment of a national insurance system for the transportation industry as a whole rather than a host of separate State systems. He suggests that the railroad and motor transportation funds be combined and kept separate from other funds and administered by the Federal Government. The coordinator states that the highway industry should help carry the unemployment load of the railroads, because the highway-transportation industry is expanding whereas the railroads are contracting. The merit of this plan is, to say the least, doubtful. It has all the earmarks of putting an intolerable load on the motor-bus industry.

The provision in proposals now being considered which apparently would exempt all companies with less than four employees seems to leave the door wide open for the small, shoestring company to operate at cut rates and to seriously hamper the larger companies who must comply with the law.

Trusting that this may furnish the information you desire, I am

Yours very truly,

C. W. STOCKS, *Editor.*

INTEROFFICE CORRESPONDENCE,
MCGRAW-HILL PUBLISHING CO., INC.,
February 6, 1935.

Mr. L. C. MORROW,
Editor, Factory Management and Maintenance:

It is practically impossible to get for publication expressions of opinion on the social-security legislation from the heads of textile associations or from outstanding individuals in the industry. The associations have not had the opportunity to consider this legislation to any extent and consequently the executives are not willing to be quoted. In the first place there has been a tremendous pressure of more immediate matters in connection with code administration, etc. In the second place, the scope of the proposed legislation is so broad that it seems to be beyond the grasp of the average man in our industry, at least to date. It is something that is going to take a lot of consideration and discussion before any real opinion crystallizes in the textile industry.

Nothing I have said is meant to imply the existence of an unfavorable attitude within our industry. As a matter of fact, I have been pleasantly surprised by the rapidly increasing numbers of men with whom I have contact who seem to have come to the belief that some types of social legislation are absolutely necessary. Many of these men were cold on the proposition before. Nevertheless it is also true that they have not been able to formulate their own ideas as to just what lines such legislation ought to follow; naturally, when it comes to details, they are completely lost.

DOUGLAS G. WOOLF,
Editor, Textile World, N. Y.

MCGRAW-HILL PUBLISHING CO., INC.,
February 6, 1935.

Subject: Social legislation.

To: Mr. L. C. Morrow, editor *Factory Management and Maintenance*.

From: S. D. Kirkpatrick, editor *Chemical and Metallurgical Engineering*, New York.

Most chemical executives of my acquaintance have taken a very realistic viewpoint on this whole matter of social legislation. That viewpoint was well expressed by William B. Bell, president of the American Cyanamid Co., and head of the most important trade association in our field, in the contributions he made to the New York City meeting of the National Association of Manufacturers and the subsequent conference at White Sulphur.

"Social security must come only by measures which reduce rather than perpetuate or actually increase unemployment. * * * Chemical industry is ready to cooperate in an impartial study of unemployment insurance and also to give approval to the adoption of a sound solution."

Experience of some of the larger companies in our field, notably E. I. du Pont de Nemours & Co., Eastman Kodak Co., Standard Oil Co. of New Jersey, has definitely proved that workable plans may be effected for handling the problem of old-age pensions which under such circumstances can be put on an actuarial basis and adequately safeguarded. These companies look with some disfavor on certain socialistic proposals that would involve additional uncertainties as well as burdens on industry. In the main, however, I am sure you will find chemical industry behind any program of sound legislation provided ample time is given for thorough investigation and study.

S. D. KIRKPATRICK.

McGraw-Hill Publishing Co., Inc.,
February 6, 1935.

Subject: Attitude of radio industry toward Social Security Act.
To: Mr. L. W. Morrow, editor, Factory Management and Maintenance.
From: Ray V. Sutcliffe, managing editor, Radio Retailing, N. Y.

Bond Geddes, executive vice president of the Radio Manufacturers Association, stated to the writer this morning that the members of his association or the board of directors of same have held no meeting since the announcement of the Social Security Act, nor has there been time for him to receive the reactions of any individual manufacturers.

Geddes urges that proper amount of time be granted for the due consideration of the provisions of the act before the major provisions, at least, are voted upon. He reiterates that this act should not be rushed through and that the members of his association desire time for the calling of a meeting of its directors to consider same.

RAY V. SUTCLIFFE,
Managing Editor Radio Retailing.

AHRENS PUBLISHING CO., INC.,
New York City, February 6, 1935.

Mr. MALCOLM MUIR,
President, McGraw-Hill Publishing Co.,
330 West Forty-second Street, New York, N. Y.

DEAR MR. MUIR: Social-security insurance for the hotel industry and the restaurant industry is, I think, utopian, due to such causes as: (a) tremendous labor turnover, in many cases running up to 300 percent a year; (b) tremendous turnover in ownership of restaurants, which is best shown by the fact that about 75 percent of the new restaurants that are started, fail or are sold within a period of a year; (c) a large percentage of the restaurant and hotel employees of the country are foreign born, and in a large percentage of the cases are not American citizens.

The large, fine hotels and the better restaurants do strive to do a great deal for the employees. Group insurance is in force in almost all large hotels, and the trend has now toward doing likewise in the better restaurants.

Cordially,

J. O. DAHL, Editorial Director.

LAUNDRY AGE,
New York, February 6, 1935.

Mr. MALCOLM MUIR,
President McGraw-Hill Publishing Co.,
The Associated Business Papers, Inc.,
330 West Forty-second Street, New York City.

DEAR MR. MUIR: This morning Mr. Horchler phoned us and asked for some expression on the attitude of the laundry industry toward the Government's social security program which you could take along to the hearing which we understand you are to attend in Washington.

Laundry owners have increased wages considerably since the coming of the N. R. A. At the same time the hours of labor have been reduced from 48 to 44-40. This has meant that costs were increased sharply at a time when scarcely

any profits are being made since recovery in the industry has not arrived to a very appreciable degree as yet.

This being the case, we know that members of the industry look with a great deal of fear and concern on any move by the Government which would tend further to load them with burdens. Most of those who believe in the social security program, we believe would make the condition that workers themselves should contribute at least half the cost of any such program. This has been the contention in States such as Ohio and Wisconsin where State legislation is in effect.

The laundry industry does not deal in commodities; hence cannot regulate its prices to the consumer in the way that nonservice industries do. Any extra taxation at this time would make profits practically impossible. We feel that we can voice the general sentiment of the industry as being opposed to any program that will saddle them with a tax of from 2 to 5 percent on pay rolls for unemployment insurance under Federal sponsorship.

We are very much interested in your mission and will appreciate hearing of its result.

Very sincerely yours,

LAUNDRY AGE PUBLISHING CO.,
J. M. THACKER, *President.*

ROBBINS PUBLISHING CO.,
New York City, February 6, 1935.

MR. MALCOLM MUIR,
*President McGraw-Hill Publishing Co.,
330 West Forty-second Street, New York, N. Y.*

DEAR MR. MUIR: I have been asked to write you briefly relative to my personal opinion as to the subject of social security and its relation to the industry our publication reaches—the gas industry.

This is, of course, a very broad subject. We all look at it a lot differently than we did a few years ago when rugged individualism was the vogue. I still hold for the rugged individualism myself but realize we must deal with conditions as they are and not with what our own logic might dictate. There would seem to be little question that in the years to come the country will have some sort of social-security plan and the thing to do is to try and work out a plan that will be workable. There are many things in life that would be fine if they were practical. If a country could live on the money turned out by its printing presses, all our troubles would be over, but unfortunately there is always an end to such a method of procedure.

In our particular industry the wage scale is considerably higher than in most other industries. A number of companies do provide pensions for employees 60–65 years old. Continuity of employment is another feature of our industry. As a whole, therefore, our industry needs a social security plan far less than general industry.

Our industry has to bear very heavy direct taxes at the present time and due to public agitation for lower rates finds itself unable to pass those costs on to the consumer. Competition in all industry is such today as to make it difficult to pass many of the added costs of the "New Deal" legislation on to the public as in the past. This all tends to stifle incentive and so delay real recovery. If the cost of sound legislation is to be added to present burdens it means still further delay of recovery regardless of how desirable these plans may be. It is my personal opinion that for the good of the country and of the individuals involved that old-age pension and the like should be held down to very reasonable figures so that future thrift will not be discouraged and the incentive for work stified on the part of those in the lower earning brackets. A 65-year age limit with a \$30 per month payment would seem to me the maximum burden the country could afford to bear.

Yours very truly,

H. O. ANDREW,
Editor Gas Age-Record.

THE PAPER MILL AND WOOD PULP NEWS,
New York, February 6, 1935.

Mr. MALCOLM MUIR,
President McGraw-Hill Co., New York City.

DEAR MR. MUIR: The enclosed is in response to your relayed telephone request. It was written after consultation with two outstanding gentlemen of this industry.

Self-typed after hours, please allow for inexpertness.

A 1-man combined editorial, reportorial, and make-up staff who also indulges a fancy for writing sales letters frequently runs into such snags because of the speed of the clock and the N. R. A. provisions for stenographers.

I would appreciate hearing from you on the reaction to your presentation in Washington.

In a nutshell, I would say that the attitude of the pulp and paper industry toward social legislation is precisely that of my own toward gratification of the selfish pleasure I peculiarly, perhaps, derive from giving to others.

My income is half what it was in 1929, yet the opportunities for performing acts of worthy charity are many times as great now as then. I find it utterly impossible to begin to respond to my impulses to help many whom I know to be deserving of help.

Where I once handed out cash, my good wife now doles out old clothes of ourselves or those outgrown by the children, and some foodstuffs.

My own conviction is that mental and physical laziness brought us to this condition, aggravated by a modicum of general dishonesty, and nothing will serve as a remedy but hard intelligent work, plus honest service for an honest price.

Sincerely yours,

JOE HODGINS, *Editor.*

FEDERAL LEGISLATION ON SOCIAL PROBLEMS AND THE PAPER AND PULP INDUSTRY

The paper and pulp industry of the United States, ranking among the 10 largest industries has yet to make an official declaration of its attitude on the question of social legislation through any of its three major associations, the American Paper and Pulp Association (with 24 subordinate associations, grouped according to grade of paper made), the Association of News Print Manufacturers of the United States, and the National Paperboard Association.

As editor of the Paper Mill and Wood Pulp News, published every week for more than 57 years in the interest of the pulp and paper industry of the United States, it is this writer's personal observation, based on frequent conversations with a large number of paper-company executives, that this industry's attitude is much the same as that of the average self-respecting citizen.

The writer believes that on the whole the pulp and paper manufacturers realize their responsibilities toward their less fortunate fellow citizens; that they are in sympathy with the principle that the deserving who are destitute, either because of old age or unemployment, should be given assistance.

But the industry is decidedly apprehensive as to the method of approach to this problem, as to the kind of plan that is finally adopted. Will it be rational? Will it be practical? Will it be equitable? Will it place an unfair burden, for instance, on the pulp and paper industry which is already excessively laden with the task of absorbing the increased labor and raw-material costs and higher tax charges that have been a necessary part of the "new deal"? These extra loads have been all the more onerous because demand for pulp and paper through 1934 did not permit operation at more than 60 percent of plant capacity, barely touching the break-even level.

Despite this problem of underconsumption, it is doubtful that any industry cooperated more readily and more fully with or gave less trouble to the National Recovery Administration. This observer never ceased to be amazed at the spirit of self-sacrifice manifested by the members of this industry in their negotiations with N. R. A. True, something was gained in the way of price stabilization. Ruinous price wars were effectively curbed in two of the three major branches of the industry, but the newsprint mills of the United States, because of foreign competition, have been and are forced to sell their product at a price that is unprofitable; to many mills in this country the present price involves serious losses.

With newsprint paper and all kinds of wood pulp admitted into this country free of any duty, this menace of foreign competition has grown rapidly to alarming proportions with the ascendancy of Russia and Finland as producers of wood pulp and newsprint paper.

Under N. R. A. the pulp and paper industry has made a magnificent contribution to unemployment relief, and this with annual sales only slightly more than half of the industry investment. The greater number of employees, the higher wage rates, and the drastically reduced working week have served to increase the labor cost per ton of product by more than 15 percent above comparable costs in the peak year of 1929. There were approximately 80,000 productive workers employed by the pulp and paper manufacturers in 1933, and this total under N. R. A. was increased to 105,000 in 1934. So that the industry has gone a long way toward the solution of its own immediate unemployment problem.

A new disturbing factor has been created by the amendment to the Reconstruction Finance Corporation Act, which will from now on permit R. F. C. to finance up to 50 percent the cost of erecting pulp and paper mills in the South. An industry that is operating at 60 percent or less of capacity cannot escape damage by the advent of new production capacity.

In short, the writer would say that while the pulp and paper industry looks with favor upon some form of governmental relief for the destitute aged and unemployed, its own sadly depleted financial resources renders it helpless to follow whatever inclination it may have in the matter of contributing to the fund that must necessarily be established.

Absolute protection against unfair competition from beyond our borders would undoubtedly render the industry of pulp and paper manufacture in the United States more nearly capable of meeting obligations of this character.

THE IRON AGE,
New York, February 6, 1935.

MR. MALCOLM MUIR,
President McGraw-Hill Publishing Co.,
330 West Forty-second Street, New York, N. Y.

DEAR MALCOLM: I understand that you would like to have from me an expression regarding our industry's attitude toward social security. This is enclosed and I hope it will suit your purposes.

With best regards to you, I am
Sincerely yours,

J. H. VAN DEVENTER, *Editor.*

STATEMENT OF J. H. VAN DEVENTER, EDITOR, THE IRON AGE

Private industry places a justly high value upon the objective of social security. It has demonstrated this by the expenditure of many millions of private dollars and by the initiation of all of the mechanisms of security that are now being contemplated.

Private initiative inaugurated unemployment-compensation plans, such as the "Rochester plan" and many others, before legislation looking toward this objective was contemplated.

Private initiative introduced the pension idea for workers. Last year the United States Steel Corporation expended close to nine millions of dollars in connection with its old-age pension plan.

Private initiative originated the "work spreading" idea as a depression measure long before the 30-hour week was placed upon the legislative calendar.

Private initiative aided depression-stricken workers by inaugurating relief plans long before Federal, State, or local governments assumed the burden.

These things are cited merely to show that industry is in sympathy with the broad objectives leading to social security. It has no objection to having these burdens transferred to Uncle Sam's shoulders, provided it is a practical load for him to carry. Industry's chief concern, I believe, is that these measures should be soundly conceived, capably executed, and that their cost should be sufficiently considered.

BOOT AND SHOE RECORDER PUBLISHING CO.,
New York, N. Y., February 6, 1935.

Mr. MALCOLM MUIR,
President McGraw-Hill Publishing Co.,
New York City.

DEAR MAL: As yet no program of social security with job insurance and old-age insurance has been proposed or studied by the retail shoe field.

I can, however, give you the National Retail Dry Goods Association resolution on the subject:

"Our objective should be to give the worker work, and through adequate reserves and insurance protection against the hazards of unemployment, old age, sickness, disability, and dependency. Unfortunately, the building up of reserve for each of these purposes reduces purchasing power, particularly in its initial stages. This, however, should not cause us to delay the development of programs, nor should it prevent us from taking the initial steps, and progressively increasing a general program of economic security."

The complete program can be obtained from National Retail Dry Goods Association headquarters in New York City, for it is the fine work of the committee headed by Percy S. Straus, of R. H. Macy & Co., Inc., and including such well-known names as Gen. R. E. Wood, of Sears, Roebuck & Co.; Samuel W. Reyburn, of the Associated Dry Goods Corporation; Dr. Paul H. Nystrom; David Owens, of J. B. Ivey & Co., Charlotte, N. C., president of the National Retail Dry Goods Association.

With kindest regards, I am
Heartily,

ARTHUR D. ANDERSON,
Boot and Shoe Recorder Publishing Co.

DRY GOODS ECONOMIST,
New York City, February 7, 1935.

Mr. MALCOLM MUIR,
President McGraw-Hill Publishing Co.,
New York City.

DEAR MR. MUIR: The dry-goods and department stores of America are thoroughly in sympathy with the administration's policy during our present emergency to provide work, where possible, and relief, where necessary.

It is hoped that these emergency measures will not be confused with a general program of economic security as it applies to old age, unemployment, sickness, mothers' and widows' pensions, etc.

The merchants of this country hope the administration will see fit to use extraordinary caution, and to make a thorough and basic study of the conditions leading up to these emergencies before adopting any definite social plan.

Emergency measures are always expensive, and were our present ones to be incorporated in a general plan, the cost would be so great as to materially decrease the purchasing power of the consumer.

Department-store figures available, show the very small margin of profit that has been made over a period of many years. These figures show how necessary it would be for the department and dry-goods stores to increase prices in direct proportion to the amount that would be called for in a social program.

The increase of prices on merchandise decreases immediately the number of units bought. It is upon units of merchandise sold that our factories and mills operate. If prices are increased through social programs and taxes at this time, it will materially decrease the flow of units of merchandise through factories in hundreds of industries, and this will add to our already serious problem of unemployment.

It is interesting to know that while department stores have shown an increase of approximately 12 percent in sales for the year 1934, the number of units of merchandise sold is less than for the year 1933.

While the merchants of this country will back any and all programs for the betterment of living conditions of American people, it is not believed this will be accomplished through adding, in any manner whatsoever, to the costs of merchandise and to the costs of distributing it, at this time.

It is the consensus of opinion of the thousands of retailers that you urge upon your committee and associates an unusual amount of caution in adopting any program which so vitally affects production and distribution of the lines sold through over 100,000 department, dry-goods, and general stores in this country.

Very sincerely yours,

ERNEST C. HASTINGS, President.

F. W. DODGE CORPORATION,
New York, February 7, 1935.

Mr. MALCOLM MUIR,
President McGraw-Hill Publishing Co., Inc.,
New York, N. Y.

MY DEAR MR. MUIR: By request of the office of Associated Business Papers, I am sending you herewith the report of the committee on old-age pensions and insurance of the New York Building Congress, of which I am chairman. This report was made 3 years ago; its conclusions are stated on page 14.

This committee has not made any special studies of late, nor did it go into the important subject of unemployment reserves. I am of the opinion that some plan for setting up unemployment reserves is inevitable and desirable. The difficulties of administration in an industry with sporadic and seasonal employment conditions like construction are very great. This difficulty should probably be recognized in any legislation that is enacted; provision might be made for setting up separate administrative machinery for such groups, based upon surveys of labor-union administration of unemployment benefits and other pertinent facts.

I regret that I am only able to send you rather general information and opinions on this, but I think the committee report will be of some use to you.

Yours very truly,

THOMAS S. HOLDEN,
Vice President in Charge of Statistics and Research,
F. W. Dodge Corporation.

REPORT OF THE COMMITTEE ON OLD AGE PENSIONS AND INSURANCE

Prepared by Committee on Old Age Pensions and Insurance of the New York Building Congress

A. THE COMMITTEE'S PROGRAM

The Committee on Old Age Pensions and Insurance was authorized by the executive committee of the New York Building Congress on January 17, 1930, for the purpose of investigating the subject of pensions, with a view of determining what type of plan was best adapted to meet the general requirements of old-age security; that is, whether a State plan, an industry plan, or a trade-group plan; such study to concentrate on the problem of old-age security for building-trades workers in New York.

The committee's organization meeting took place on March 20, 1930. Subsequent to that date its activities have developed along two lines:

1. Committee meetings, usually attended by a guest speaker who was a recognized authority on pensions on some important phase of the subject.
2. A research program, conducted by Murray W. Latimer, of Industrial Relations Counsellors, Inc., which organization was employed as research consultant to the committee.

Under item 1 (above), nine committee meetings were held, as follows:

1. *March 20, 1930—Organization meeting.*—The committee decided to investigate desirability of pensions to be carried (a) by individual trade or groups in the trade, (b) by industry as a whole, and (c) by State or community.

2. *July 8, 1930.*—W. F. Wieland, secretary-treasurer of the board of insurance trustees of the electrical industry of New York, gave a résumé of the development and administration of that plan to date.

3. *September 18, 1930.*—Charles W. Hanson, president district council of New York, Carpenters and Joiners of America, described the pension fund in the International Brotherhood of Carpenters and Joiners of America.

4. *October 28, 1930.*—Ingalls Kimball of the Metropolitan Life Insurance Co. spoke on contributory and noncontributory features of pension plans.

5. *December 5, 1930.*—Discussion of data based on original research in records of Carpenters' and Joiners' Local No. 257.

6. *February 26, 1931.*—Frank J. Taylor, commissioner of the Department of Public Welfare, New York City, discussed the administration of the New York State pension plan, veterans' relief, and other welfare activities of a kindred nature under his supervision.

7. *May 6, 1931.*—Abraham Epstein, executive secretary of the American Association for Old Age Security, explained the underlying principles of the New York State plan and suggested means for extending it.

8. *June 2, 1931.*—John R. Hall discussed the desirability of a plan to include old-age, life, disability, sickness and unemployment insurance.

9. *July 9, 1931.*—R. B. Thomas, counsel Structural Steel Board of Trade, described the thrift plan in the steel trade and gave details of its operation during the past 10 years.

B. IMPORTANCE OF THIS STUDY TO THE NEW YORK BUILDING CONGRESS

Population statistics have shown an ever-increasing proportion of older people in our population and careful students of population trends state that, while we now have 1 person past working age to every 2 in it, by the time a young man entering industry in America today reaches the retiring age of 65 there will be 2 persons past the prime of life to every 3 in it.

The increased number of State old-age security plans, following adoption of national plans by a number of foreign countries, has led American industry to an ever-increasing recognition of its responsibility in this matter. Many large industrial companies have adopted old-age plans for their own employees, and the increasing number of these private-pension plans would seem to indicate, at least among the leaders of large business organizations, a very definite preference for the sholdering of this responsibility by industry itself rather than by the State. State pensions are favored by others on the ground that it is impracticable to expect that industry will ever completely meet the social necessities of the situation.

The recently published proposal of Gerard Swope, setting forth for the serious consideration of American business a plan for organizing business for the purpose of stabilizing employment and stabilizing prosperity included among its recommendations unemployment insurance, life and disability insurance, and old-age pensions. Mr. Swope's proposal recommended that the old-age pension plans to be put into effect by individual companies should be such plans as are adopted by the trade associations of which those companies may be or may become members.

Even if this trade-association feature had not been included in Mr. Swope's proposal, thus indicating it to be within the trend of thought among progressive and responsible leaders of industry, the irregular nature of employment in the building industry makes it manifestly impracticable for individual employer companies to set up pension plans to cover building-trades workers or others whose periods of employment are short, irregular and highly seasonal in character. If the building industry of New York or any section of it is to assume responsibility for an old-age pension plan, the responsibility must be met by some trade association within the industry or within the particular group.

Within the building industry the need for old-age security and other forms of group insurance was first recognized by those to whom the irregularity of building industry employment presented the most immediate and personal problems, building labor. International unions of building-trades workers adopted plans for financial relief of aged members as early as 1867 and four international unions, within the building-trades group, now have definite old-age relief plans, which will be described briefly in a subsequent section of this report.

But the thing that has done most to bring this subject to the immediate attention of the New York Building Congress has been the adoption, by contract agreement between organized employers and organized employees, of the old age insurance-plan of the electrical trades of New York City. The building industry of New York has now within its midst a full-fledged old-age-insurance plan, benefiting a specific group of employees and operating according to a plan that puts on every building project in New York City a portion of the insurance expense. This brings to the New York Building Congress the necessity of at the very least informing itself as to the fundamentals of the old-age security problem, the trend of current thought on the subject and the practicability of attempting any general plan for the entire building industry of New York.

C. SUMMARY OF EXISTING PENSION SCHEMES

1. STATE OLD-AGE-PENSION SYSTEMS IN EUROPE

National governments in 23 European countries and 7 smaller divisions of 3 other nations have by legislative enactment provided some protection for their citizens, or such of them as are deemed in need of it, against the hazards of old age. The extent and form of this protection vary from country to country as do the sources of support. Germany was the first nation to provide pensions on a

State-wide basis, beginning in 1889. In 16 countries the existing systems were initiated since 1920, though some of the more important, particularly the British scheme, were revisions of earlier plans which had not proved entirely satisfactory.

The predominant practice in Europe has been to form systems in which future beneficiaries, their employers and the state participate. In 16 of the 30 systems all 3 parties pay toward the support. Included in these 16 are Great Britain, France, Germany, Austria, Italy, Hungary, Spain, Czechoslovakia, and Yugoslavia. In 5 the member and the state contribute; in 2, employee and employer; and in 2, the employer and the state. Under 5 schemes the pension is provided entirely by the state.

All the systems except the last five are largely based on the principle of insurance. Funds are built up during the active working life of the members, presumably in sufficient amounts to pay the promised benefits.

With the exception of one system which applies only to salaried workers, these insurance schemes cover substantially all industrial wage earners. In a considerable majority of the cases, salaried workers are members of the systems as well, while under a few schemes agricultural workers and domestic servants are added, and in some instances virtually the whole of the population is eligible to membership. Membership, almost without exception is compulsory upon those who are eligible.

The benefits usually seem moderate; in the absence of detailed examination it is difficult to determine the adequacy of benefits, though the fact that a number of the schemes provide for some relationship between wage and benefit would tend to produce a reasonable amount. The age at which insured persons become entitled to benefit varies from 55 to 70, though a majority tend to fix the age at 65. In most cases the benefit is payable irrespective of the period of membership.

The European trend in pensions has thus been strongly toward nation-wide systems of contributory compulsory insurance. France, Belgium, and Italy experimented for a number of years with voluntary insurance, but found that even the offer of a state subsidy was not sufficiently attractive to induce any large number of people to save; or, perhaps, more correctly, offered no means by which savings could actually be made. Belgium and Great Britain first operated non-contributory systems but found them unsatisfactory. There has been almost continuous broadening of the scope of the systems to protect larger and larger sections of the population.

2. STATE PENSION SYSTEMS IN OTHER COUNTRIES

Although the most extensive development of nation-wide pension systems has taken place in Europe, a number of schemes are in existence elsewhere. Australia, New Zealand, Canada, Newfoundland, and South Africa maintain free pension systems. Voluntary systems for certain industries or groups are found in Japan, Argentina, Uruguay, Chile, Bolivia, and Cuba.

3. STATE OLD-AGE PENSIONS IN THE UNITED STATES

Seventeen States in this country have enacted old-age-pension legislation. These States, together with the dates at which the systems were established, are as follows: 1923, Montana; 1925, Nevada, Wisconsin; 1926, Kentucky; 1927, Colorado, Maryland; 1929, California, Minnesota, Utah, Wyoming; 1930, Massachusetts, New York; 1931, Delaware, Idaho, New Hampshire, New Jersey, West Virginia.

The Territory of Alaska also adopted a scheme in 1915. Under the provisions of these plans, persons aged 65 or 70, with inadequate means of support, are to be granted pensions (or relief) of not more than \$250 to \$360 per year. In New York State and Massachusetts, however, no maximum amount is specified. Generally, to be eligible for a benefit one must be a citizen of the United States and have been a resident of the State for 10 or 15 years. The earlier laws gave counties authority to grant pensions and provided for no support from the State. In the last few years, however, most of the statutes have made payment of pensions or grant of relief mandatory upon the counties and in some the State is defraying part of the cost.

At the present time the total number of State pensioners in this country probably exceeds 55,000, and the payments are being made at the rate of \$16,000,000 to \$17,000,000 per annum. The average benefit rate runs just under \$300 per annum.

4. INDUSTRIAL PENSION PLANS IN THE UNITED STATES

Until recent years the employers of the United States were the chief providers of old-age pensions in this country. Some of these employers were the Federal Government, the States, municipalities, educational institutions, and churches. The most important group of employers, however, were and are now engaged in industry.

About 450 formal industrial pension plans are now in operation, covering, in terms of 1929 employment, about 4,000,000 persons. The predominant practice requires that to be eligible for a benefit employees must have served 10 to 20 years continuously with the pensioning company and either be 65 years of age or over or have become permanently incapacitated for the usual occupation. The benefits are ordinarily related to the average pay received in the last few years of service; the most usual provision is that the benefit shall be 1 percent of such average pay for each year of the entire term of service. A considerable minority of the companies, however, make the fraction $1\frac{1}{2}$ or 2 percent per year of service.

At the end of 1925 about 85 percent of the existing industrial plans were supported entirely by the employers. Of the more than 100 schemes which have been established in the last 6 years, however, about 80 percent have provided for employee contributions; so that at the present time almost one-third of all the existing plans are based on the contributory principle. Most of these contributory plans are maintained by relatively small companies; not more than 7 or 8 percent of the employees covered by formal industrial plans at the present time are paying for any part of their future benefits.

Although in the last few years the financial bases of many pension plans have been greatly strengthened, there remain many systems which are operating on a most precarious hand-to-mouth basis. The financial experience of existing plans points strongly to the necessity of prompt and full funding of the liabilities involved by the maintenance of sound pension systems.

5. TRADE UNION PENSION PLANS IN THE UNITED STATES

Ten international trade unions and eight locals with a combined membership of approximately 1,000,000 members maintain pension schemes at the present time. Of these, 4 internationals and 3 locals are in the building trades. The international unions in the building trades are the Bricklayers, Masons and Plasterers International Union of America, International Association of Bridge, Structural, and Ornamental Iron Workers, International Brotherhood of Electrical Workers, and United Brotherhood of Carpenters and Joiners of America, while all three locals are in the electrical trade located in New York, Chicago, and St. Louis.

Benefits are payable under these plans to persons who attain age 60 or 65, or become permanently and totally disabled after having been members continuously for periods of 15 to 20 years or more. The amounts range from \$60 per annum to as high as about \$500, though under some schemes higher benefits will eventually be reached. Present payments average slightly over \$300 per annum. Under all the international union systems and in all but two of the local schemes the union members bear the entire cost of the benefits. Union finances have for the most part not been such as to permit adequate funding and most of the funds have never been more than a step or two ahead of payments. The most recently established of the international union pension plans, that of the United Brotherhood of Carpenters and Joiners of America, began to make assessments and build up a pension fund some time in advance of the time of beginning payment of benefits. This union, which is by far the largest among those maintaining pension schemes, was able by a small per capita assessment, to accumulate funds rapidly. Smaller unions may not be able to do this. In general, it is to be doubted whether the majority of the international schemes and those local plans in which the union members pay the whole cost can long survive.

Two locals of the International Brotherhood of Electrical Workers established schemes, one in New York and the other in St. Louis, which were put into operation in 1930, in which the entire cost was assessed against the employers, by agreement between the union and the employers' organizations. Boards of trustees were established to which the assessments were paid. In New York the assessments were originally 20 cents per hour worked in the trade and later reduced to $17\frac{1}{2}$ cents in St. Louis, a flat assessments of \$2.83 per man per day worked was set. The New York Board (the practice in St. Louis could not be ascertained) paid premiums to a commercial insurance company which underwrote the anticipated benefits. The assessments, in the beginning, were pur-

posely made greater than the premiums in order to build up a substantial reserve.¹

6. GENERAL SUMMARY OF OLD-AGE PENSIONS IN THE UNITED STATES

Industry and industrial workers together have organized pension systems which offer some measure of protection to almost 5,000,000 persons against the hazards of old age and disability in the United States. Though doubts may be raised as to their permanency they are together at the present time making payments to probably at least 125,000 persons who are superannuated or disabled. Of this number perhaps 110,000 to 112,000 are on the rolls of industrial organizations and 12,000 to 15,000 on the lists of the trade unions. There is some slight overlapping of the two fields, chiefly on the railroads, some brotherhood members drawing benefits both through their unions and under company pension schemes.

Total payments of benefits in 1931 will probably exceed \$75,000,000, of which at least \$70,000,000 will be paid under pension schemes maintained by employers.

The proportion of pensioners to persons covered by the industrial schemes, not much over 2.5 percent, is much smaller than the proportion of persons over 65 in the general population: 5.4 in 1930. A considerable proportion of the industrial pensioners, moreover, are under 65. This discrepancy arises from two facts; first, that industry in this country, particularly manufacturing and public utilities, is comparatively young and the age distribution of its employees much below that of the general population; and second, that the long service requirements prevent many persons who spend their entire life in industry from qualifying.

These conditions, together with the fact that not more than 20 percent of the persons gainfully employed are protected by various kinds of private pension systems, have made the growth of some form of state pensions inevitable. It is therefore not surprising that in the short space of 8 years 17 States, with over one-third of the population in 1930, should have adopted laws calculated to afford some measure of old-age security. It seems probable that this movement will continue.

The private and State pensions are not in conflict. Usually no one with an income of more than \$300 or \$400 per annum can qualify for a State pension. The majority of industrial and trade-union pensioners receive higher incomes. On the other hand, the State schemes do not cover permanent and total disability and the prevailing age of retirement is 70, clearly too high to be of much assistance to industry. There remains a large field therefore not covered either by industrial or State schemes. It is now being provided for, if at all, on a charitable basis.

The European answers to this problem have been systems of compulsory insurance in which employee, employers, and the State share in the assumption of cost. That stage has not been reached in this country. But these systems remain the only ones now existing in which complete protection is afforded the large body of citizens against the hazards of old age and disability.

D. PHILANTHROPY VERSUS EARNED OLD-AGE ANNUITIES

Considering the nation (or the community) as a whole, it may be said that, in the absence of any pension plan, people beyond the earning age are taken care of in four ways:

1. With their own savings.
2. By relatives.
3. By charity (in institutions, in their own homes, or in homes of relatives).
4. By combinations of any 2 or all 3 of the above methods.

Where the social consciousness of the community merely calls for the relief of the needy, the problem is met by philanthropy, private or public, or both; when the number of old people requiring assistance increases beyond the capacity of existing public and private philanthropic agencies, the necessity for more adequate and better organized relief must be recognized and met. Thus there arises a demand for pension plans from the social welfare point of view.

But, as is seen from the facts presented above regarding industrial-pension plans, there has also arisen within industry a recognition of the fact that it is desirable from many points of view to have a definite plan for retirement of aged or ageing workers of every grade and income, and that such plan should recognize that the retirement benefits have been earned by the worker's services to the

¹ In St. Louis, by court decree, the board of trustees was abolished. Wages, however, were raised by the amount of the pension assessment and a corresponding increase was made in union dues.

industry. From this point of view has arisen the concept of the earned retirement annuity, as distinguished from philanthropy.

A primary consideration, therefore, is forming an opinion or creating a policy with reference to pensions is agreement among those concerned as to whether the most desirable basic principle is to be philanthropy or recognition of the responsibility of industry. Proponents of State-pension plans and of increase and enlargement thereof argue that even though large numbers of specific industries might ultimately make adequate provision for their own superannuated workers there would still be many left unprovided for, and also that benefits provided by different industrial plans would vary considerably. From this they argue that the State should assume the entire responsibility.

Industry, on the other hand, viewing the constantly increasing costs of social benefits undertaken by the State, is to a large extent committed to the policy of solving this problem within the several industries. What we have today is a trend toward recognition of industry's responsibility for providing retirement plans for its own workers and the State (or States) assuming the responsibility of providing for needy aged people on the basis of public philanthropy.

E. CONTRIBUTORY VERSUS NONCONTRIBUTORY PLANS

Mr. Swope's suggested plan for industrial old-age pensions, referred to earlier in this report, contains the provision that all employees after 2 years' service may, and after 5 years' service shall, be required to put aside a portion of their earnings for the pension fund, and that employers shall match employees' contributions to the fund dollar for dollar. This is the principle of the contributory plan, based on the idea that the individual beneficiary should make some provision for his own ultimate retirement and that the benefits he ultimately receives shall be proportioned to his own savings earmarked for that purpose. The compulsory provisions of Mr. Swope's proposal recognizes the probability that a purely voluntary contributory plan would bring forth contributions from relatively few of the workers who should be covered by the plan and thus cause the failure of the plan to achieve its intended objectives. The fact that all the industrial plans put into operation in this country since 1929 have provided for some form of employee contribution, indicates the trend of business thought to be in this direction.

F. SHOULD OLD-AGE PENSIONS PLANS BE COMBINED WITH LIFE, SICKNESS, DISABILITY, AND UNEMPLOYMENT INSURANCE?

From the point of view of the individual worker, insurance to cover the risks of unemployment, sickness, disability and death are important and of approximately the same order of desirability as insurance to provide an old-age annuity. One guest speaker who appeared before the committee, Mr. John R. Hall, urged that industry should study the possibilities of insuring workers against all five of these major hazards. Mr. Swope's plan includes recommendations for life and disability insurance and unemployment insurance, as well as a pension plan. Another guest speaker, Mr. Ingalls Kimball, director of group annuities of the Metropolitan Life Insurance Co., indicated to the committee the varying character of risks involved in these different kinds of insurance and the complexities introduced into any study involving all five hazards. In view of the fact that the committee's instructions covered investigation of old-age security plans only, it has been constrained to confine its considerations to that subject, realizing that the others constitute closely related subjects of primary importance.

Although because of the limitations contained in the instructions, your committee has not made a detailed study of unemployment, the magnitude of the problem was forced upon our attention, and we have been impressed by the need for some provision against this hazard. While we would agree that the establishment of a single scheme to cover diverse risks would be attended with grave hazards, we are unable to see that this constitutes an argument against the adoption of measures aimed definitely to cover a single risk.

There have been established in this country a number of plans for the payments of unemployment benefits or for the guarantee of employment, all on a voluntary basis; some by individual establishments, some by trade unions, and some by joint agreement between employers and employees, the most notable of the latter type being the plans in the men's clothing industry in Chicago, Rochester, and New York City. A number of proposals have been made for legislation looking to the compulsory establishment of reserves from which benefits would be paid to persons unemployed. The problem of unemployment is a vital one in our indus-

try, and we suggest that the New York Building Congress would do well to familiarize its members with the developments of experiments in the payment of unemployment benefits and of proposed legislation on this subject.

G. SHOULD A BUILDING INDUSTRY PENSION PLAN BE ON A LOCAL OR A NATIONAL BASIS?

The only national retirement annuity or benefit plans for members of the building industry in operation today are the four existing plans of international building trades unions described above. There is today no national organization representing the entire building industry of the United States of sufficient strength and influence to deal with this problem as effectively as it might conceivably be dealt with locally by the New York Building Congress. Whatever changes may take place hereafter in the organization of the building industry will not be likely to change the dual character, local and national, of the industry, this dual character being necessitated by the fact that its operations are conducted on specific localized building sites. These facts, together with the fact of the existing electrical workers' plan, seem to point to present consideration of a localized New York building industry plan as a more practical basis of discussion than any general building industry plan covering a larger territory.

H. IS IT FEASIBLE FOR THE NEW YORK BUILDING CONGRESS TO CONSIDER ESTABLISHING A PENSION PLAN FOR THE BUILDING INDUSTRY OF NEW YORK?

While there are knotty problems of policy and administration involved in setting up any pension plan, which would be doubly complicated in this case by reason of the complexity of building industry organization and irregularity of employment, the most important fundamental questions to be answered are:

1. How much would it cost?
2. Who would pay for it?

Since continuance of any benefit plan can be reasonably assured only if it is conceived on a sound actuarial basis, the first step in making a cost estimate is the securing of necessary actuarial data. In the time at the disposal of your committee to date it has been possible to secure only a sampling of the actuarial data that would be essential for a study looking toward a complete plan. Through the courtesy of Chas. W. Hanson, president, Carpenters' and Joiners' Local No. 257, it was possible for Mr. Latimer, assisted by the Building Congress staff, to compile from the union's records data as to age distribution and withdrawal and transfer rates of its membership. Through the courtesy of the board of trustees of the electrical contractors' pension plan, similar data on the membership of Electrical Workers Union No. 3 have been made available to the committee. With these two sets of data, we have in one case a sample covering a group of workers in one of the old established hand trades and in the other one covering a mechanical trade of comparatively recent development. These two samples, considered together, may possibly be fairly typical of the New York building trades in general. The statistical findings in these two unions are summarized in the following paragraphs.

I. ACTUARIAL ESTIMATES OF PENSION COSTS

1. INTRODUCTION

In determining the advisability of action in respect to the establishment of a pension system by any group, one of the most important factors is that of cost. In this discussion, cost will be understood to mean the cash outlays required for the support of a given amount of benefit, awarded to individuals under certain specified conditions. The question as to whether such costs would be added to the costs already incurred in the construction industry will not be analyzed. The figures given will show merely the outlay, irrespective of the ultimate incidence of cost.

The cost of the pension plan will depend partly on the terms of the scheme itself and partly on the number of persons who will claim the benefit. The terms of the plan will specify at least the amount of the benefit, the age at which it will begin for the superannuation benefit, or the service requirement if a permanent and total disability benefit is provided.

There is an almost infinite variety of pension plans for which costs could be calculated. Partly because of insufficiencies in the data, and partly in order to simplify this report, cost calculations have been made in respect of only one plan: a benefit of \$600 per annum, payable for life, to all persons working in building

trades in the city of New York, upon attaining age 65. It is assumed that all persons over 65 would be retired immediately on establishment of the plan.

Returning to the second of the broad factors in cost, the number of persons who will receive the benefit, the number will depend in the first instance upon the numbers covered. There are, however, specific characteristics of the group covered, beyond total numbers, which are important. Among the more important of these are existing age distribution; age distributions of new entrants into the trade in the city; entrance into and withdrawals from the trade as conditioned by the relative attractiveness of work outside the building industry and building-trades occupations in other localities; and trade-union rules.

Most of these conditions vary with time. Men grow older; working conditions change; economic activity dwindles or rises; and unions change their rules. The introduction of a pension scheme might itself produce changes. Persons who would formerly have left the building trades, or have moved to another locality, might not do so if by such they forfeited claim to a pension.

It is difficult to isolate and evaluate all these various elements. The factor of mortality can be measured with a considerable degree of accuracy. But this is obviously not true of the other factors. The best that can be done is to take the net results of these factors from the experience of certain groups in New York City, and measure them over a period sufficiently long to include a variety of changing circumstances, and then further modify those estimates so that the cost figures will be conservative. This is what has been done.

For the purpose the experience of two local unions in New York City has been available. These were local 257 of the carpenters, the largest of a number in that trade in the city, and local 3 of the electrical workers covering the whole city.

These studies indicated that the building trades in New York City are being carried on by men in the prime of life, a considerable body of whom are remaining permanently in the local trade. There has been a considerable influx of younger members who on the whole have shown a considerable tendency to leave after a fairly brief period of membership. Despite this influx, the age distribution of membership has been tending gradually upward. If economic conditions in the industry become stabilized, and if this condition of stability produces neither the rapid influxes nor the almost equally rapid withdrawals from union membership which have characterized the past 7-year period, it seems altogether probable that the age increase will not only persist but quite probably be accelerated. This conclusion is strengthened by the fact that even with such rapidly changing conditions, among the carpenters at least, nothing has apparently arisen to affect adversely the ability of men past middle age to retain membership in the union. The rigid rules of this union concerning suspension for nonpayment of dues for 6 months furnish strong grounds for believing that union membership and work at the trade have an even more intimate relationship than would ordinarily obtain in most trade unions.

In the past, over and above the body of stable membership there has been a high degree of flux. So much so that, if past experience holds true for the future, a rather small minority of members will ultimately qualify for pension. It would be hazardous to assume that this past experience will hold good, for if a pension system is inaugurated, in addition to bringing about more stability in the industry, there will be added an appreciable incentive to union members to remain in New York and in good standing with their locals. In estimating cost, therefore, it is necessary to be conservative in selecting a withdrawal rate. The margin of error is such that it was deemed advisable to use three scales of withdrawals, one the actual and two others lower than the actual. These withdrawal scales include only persons who ceased to be members of the international, but not members who transferred to another local. For more detailed analysis of the data on which these estimates were made see the appendix.

2. ANNUAL PER CAPITA COSTS

The cost of a pension plan depends not only on the terms of the plan and the personnel factors, but also on the method of financing adopted. In arriving at the estimates given below the costs of deferred annuities were calculated on a level premium basis.²

² In these calculations the premium was level with respect to the survivors of the groups at the various ages but not level with respect to each individual life at any time prior to the attainment of the retirement age. For a discussion of the connection between method of financing and cost, see the appendix.

(a) Benefit paid for entirely by employers

The purpose of these calculations is to arrive at figures which may be applicable to the problem of estimating the total cost of a pension plan extending over all the building trades men of the city. The most readily applicable figure under the circumstances seems to be a per capita cost, rather than one for a local or for the single trade; though data by trades would be relevant had substantially complete information for all been available.

For the members of the carpenters' union on November 1, 1930, the actual per capita cost would have been:

Approximate actual withdrawal rate high.....	\$117. 98
Medium withdrawal rate.....	131. 93
Low withdrawal rate.....	152. 57

Other things remaining the same, this cost would tend to fall year after year for two reasons: First, 3.67 percent of the carpenters are 65 or over and would be entitled to draw benefits immediately. The liability in respect of such persons is fixed and ought to be liquidated with reasonable promptness. This total liability amounts to \$178.12 per capita for the union members covered by this study, and the initial annual payments would be at the rate of \$22.03 per capita. The liability could be liquidated in about 9½ years if \$22.03 per capita were collected each year. And at the end of that time the total costs would fall by \$22.03. In the costs given above, however, it was assumed that the liability would be liquidated in 20 years at a per capita cost during that period of \$13.11. This would be safe under the financial method discussed here. At the end of the 20-year period this item of cost would disappear.

The second reason why the costs would tend to fall would be that as the union members attain age 65 and retire, they would be replaced by persons at much younger ages for whom costs were lower. This process would tend to proceed gradually for many years. It is a simple method for the liquidation of liabilities in respect of the past activity of trade unionists in the city. Despite these tendencies the level of costs will not be substantially lower for several years.

The annual per capita costs on a similar basis for the electrical workers were as follows, using membership records as of April 1, 1930:

b. Noncontributory plan

Approximate actual withdrawal rate (high).....	\$64. 17
Medium withdrawal rate.....	75. 55
Low withdrawal rate.....	93. 13

All these cost estimates allow for no refund in case of death or withdrawal prior to retirement of contributory plan.

It would be possible to divide the cost between the employer and employee groups in various proportions. If, for example, the total present costs were divided evenly between the two groups and if, further, the assessments were levied on employees without extending to them any claim on the fund in case of death or withdrawal prior to retirement, the per capita costs for each group would be half the per capita costs given in the preceding section.

So far as individual contributors are concerned, however, it has been found in practice to be difficult to persuade employees generally to contribute without expectation of any return unless they fulfill the requirements for a pension. They will agree to contribute only on the condition that their own contributions be returned to them or their survivors in the event of withdrawal or death prior to qualifying for a pension. Some industrial pension plans provide for the return of contributions under such circumstances without interest, the employer usually getting most of the benefit of such interest. This practice we do not believe to be justifiable.

In case employee contributions were to be returnable with interest at the same rate as that assumed to be earned on accumulated funds, the average per-capita assessment would be \$107.67. This single figure conceals wide differences in the individual costs. At age 50, for example, the cost for each year between 20 and 65 would be only \$23.47, whereas at 64, since the whole fund would be accumulated in 1 year, the per-capita assessment would be \$2,815.92.

There are three objections to assessing all employees a uniform amount. First, some individuals would pay for part of the benefit of others. Moreover, in the present instance all persons under age 37 would pay more into the fund than the total value of the benefit, including that part supposedly paid for by the employers. Second, the annual cost of the benefit would tend to be lower as time passed to that the proportion paid for by the employees as a group would be

higher. Third, in case, for any reason, the number of building-trades men in city was reduced, it is probable that the younger group would be forced out. This would create a drain on the fund disproportionate to the liabilities canceled by the withdrawals.

On the other hand, it is inconceivable that persons now advanced in years could pay for one-half their own benefit. The employers would probably find it necessary to pay for the liability which had previously accrued in respect of work at the trade in the city prior to the inauguration of a plan. The data have been insufficient to enable calculation of such liability. It seems likely, however, that the cost of a contributory plan in which half the current cost was assessed against individual employees, but in which the past liabilities were borne by the employers, would for a period of several years cost the employers about 80 percent as much as a noncontributory plan carried entirely by the employers.

The average individual employee contribution would be about \$43.07 on the basis of the carpenter's data and \$30.80 on the basis of the electricians' for a benefit of \$600 per annum. On what basis the total would be allocated to individuals is beyond the scope of this report.

3. TOTAL ANNUAL COSTS FOR THE BUILDING TRADES IN NEW YORK CITY

It is considered a reasonable assumption that the carpenters and electrical workers taken together form a typical sample of the building tradesmen in the city. The chief question in regard to per capita costs relates to whether the average should be a simple mean of the per capita figures for each of the two unions or should be weighted by the membership, the data for the carpenters' local being assumed to represent the whole trade in the city. On the latter basis the carpenters' figure would have a weight of four and the electrical Workers', one.

Decision on this point in the absence of complete data is mainly a matter of guesswork. In an attempt to make the estimates conservative, it was decided to give the carpenters' figure a weight of three and the electrical workers', one.

The exact number of building tradesmen who would be covered by a pension scheme is not known. The numbers have been variously estimated. Two figures are therefore given, one for 175,000 and the other for 200,000 persons. On this basis the estimated annual costs are:

Noncontributory plan

[Benefit \$600. Payable beginning at age 65]

	175,000	200,000
Approximate actual withdrawal rate (high).....	\$18,292,750	\$20,906,000
Medium withdrawal rate.....	20,622,000	23,568,000
Low withdrawal rate.....	24,099,250	27,542,000

Contributory plan

[Benefit \$600. Payable beginning at age 65. Individual members pay for half the cost of benefits in respect of service rendered after inauguration of plan. Employees' contributions returnable with interest]

	Annual costs to employers	
	175,000	200,000
Approximate actual withdrawal rate (high).....	\$14,634,200	\$16,724,800
Medium withdrawal rate.....	16,497,600	18,854,400
Low withdrawal rate.....	19,279,400	22,033,600
Annual costs to all employees.....	7,000,000	8,000,000

These cost figures do not include any administration costs, which would ultimately have to be taken into consideration. They would amount to approximately 1 percent of the total funds handled by the administrative body.

These estimated cost figures, to be fully comprehended, should be viewed in comparison with the gross income of the construction industry of New York and with the total income of the building trades. For this purpose they have been

compared in the following table with total contract figures for all building and engineering construction in the five Boroughs of New York, as recorded by F. W. Dodge Corporation. It has been assumed that 40 percent of the total dollar value of contracts represents wages paid to construction labor. The comparisons as shown in the following table.

COST COMPARISONS OF PENSION PLANS

TABLE I.—*Noncontributory plan (cost borne by employer group)*

Period covered	Total contract volume	Minimum annual cost, \$18,292,750 covering 175,000 workers, high withdrawal rates		Maximum annual cost, \$27,542,000, covering 200,000 workers, low withdrawal rates	
		Percent of gross income of industry	Percent of total wages	Percent of gross income of industry	Percent of total wages
Average, 1919-31.....	\$698,977,000	2.62	6.55	3.94	9.85
Lowest year, 1919.....	279,478,200	6.55	16.38	9.85	24.64
Highest year, 1926.....	1,157,041,800	1.58	3.95	2.38	5.95
This year, 1931 (estimated).....	459,655,000	3.98	9.95	5.99	15.00

TABLE II.—*Contributory plan*

[Employer group bearing total cost of retiring all workers aged 65 at inception of plan and half the costs of benefits to all other workers thereafter; employees under 65 at inception of plan to pay half the cost of their own benefits and have the privilege of collecting accrued cash surrender value of benefits on withdrawal]

EMPLOYERS' SHARE

Period covered	Total contract volume	Minimum annual cost—\$14,634,200 covering 175,000 workers, high withdrawal rates		Maximum annual cost—\$22,033,600 covering 200,000 workers, low withdrawal rates	
		Percent of gross income of industry	Percent of total wages	Percent of gross income of industry	Percent of total wages
Average 1919-31.....	\$698,777,000	2.09	5.24	3.15	7.88
Lowest year, 1919.....	279,478,200	5.24	13.09	7.88	19.71
Highest year, 1926.....	1,157,041,800	1.26	3.16	1.90	4.76
This year, 1931 (estimated).....	459,655,000	3.18	7.96	4.97	11.98

EMPLOYEES' SHARE

	Total contract volume	Minimum—\$7,000,000		Maximum—\$8,000,000	
			Percent of total wages		Percent of total wages
Average 1919-31.....	\$698,777,000	-----	2.50	-----	2.86
Lowest year, 1919.....	279,478,200	-----	6.26	-----	7.16
Highest year, 1926.....	1,157,041,800	-----	1.51	-----	1.73
This year, 1931 (estimated).....	459,655,000	-----	3.81	-----	4.35

J. CONCLUSIONS FROM COST COMPARISONS

1. A noncontributory plan, with the cost borne by the employers and, presumably, passed on to the public would increase the cost of construction operations from 2.6 to 4 percent, assuming that future construction volume in dollars will average the same as in the years 1919-31. The exact percentage would depend on the exact number of beneficiaries covered and on the rate of withdrawal of those beneficiaries from the industry. (Table I.)

2. The burden on the industry of a noncontributory plan with a fixed lump-sum benefit would constitute a fixed change that might be easily met in prosperous

years, but would be increasingly onerous in a year of depression. From the figures in the table it is seen that while the minimum annual cost figure represents 2.62 percent of the average gross income of the industry during the past 13 years, it represents 6.55 percent of the 1919 income, only 1.58 percent of the 1926 income, and 3.98 percent of this year's income. If sufficient funds were accumulated in good years to effect depleted earnings of the industry in bad years, this irregularity might be smoothed out. But this would not take care of a permanent or long-enduring reduction in total dollar volume of construction brought about by reduced construction costs persisting over a long period. To obviate the possible burden of a fixed lump-sum benefit, a plan based upon devoting a fixed percentage of the industry's gross income or of its total pay roll, with benefits to the extent that pension-fund accumulations will pay for, might be preferable. (Table I.)

3. The contributory plan is for many reasons more desirable than a noncontributory plan. However, its total cost to employer and employee groups combined is somewhat greater than that of the noncontributory plan because of the necessity for refunding the whole of their accumulated contributions with interest to members who withdraw before qualifying for a benefit. This feature is an added benefit of considerable value to the participants in the plan. (Table II.)

4. Fluctuations in total construction volume and in the value of the construction dollar impose the same variability of cost burden in the case of a noncontributory plan as with the contributory plan. Here again consideration should be given to the possibility of a flexible benefit provision proportioned to the amounts the administrators of the fund could collect on the basis of fixed-percentage assessments on employers and employees.

K. PROBLEMS OF ADMINISTRATION

There is not today any organization within the building industry of New York set up to administer a general pension plan. Such administrative body would have the duty of collecting and administering the pension funds and of keeping complete records of all pertinent data as to age, union-membership status, and employment of all participants. For collecting funds and keeping statistical records a sizable clerical staff with competent supervisory officers would be necessary. For administering the funds and paying benefits a policy would have to be determined, to decide whether this should be done by placing the business with insurance companies, by employing a trust company to handle the investments, or by permitting the administrative organization to set up an investment committee, probably aided by competent investment counsel, to invest the funds and disburse the benefits. The latter plan is certainly full of dangers against which adequate safeguards would have to be made. The administrative organization would probably be supervised by a council, or board of trustees, on which employers, employees, and independent interests would be represented.

L. CONCLUSIONS AND RECOMMENDATIONS

1. Your committee concludes from its study that a sound system of old-age pensions for the building industry is socially desirable and that the need for such a system or systems is likely to increase with the growing proportions of older people in our population. A contributory system with compulsory participation of all those eligible would in our judgment be desirable.

2. The New York Building Congress should recognize that industry has a responsibility for furthering sound old-age pension plans, and for coordinating any New York building industry plan that might be set up with the New York State pension plan.

3. The cost of a contributory building industry plan to approximate an old-age annuity benefit of \$600 a year, as used in section F of this report for purposes of illustration, would not be so great in moderately prosperous times that it should alone deter the building industry of New York from setting up a private old-age pension plan for its members.

4. While administrative problems inherent in such a project for the loosely organized building industry may possibly be even more difficult of solution than the problem of total cost of the plan, the joint action of employer and employee groups on such a project might conceivably be a great benefit to the industry in uniting it for a common objective of cooperation and stability.

5. In spite of the conclusions stated in paragraphs 3 and 4, your committee does not recommend the adoption of a private building industry plan such as described, for reasons appearing herewith. The studies which have been made of the flow

of employees into and out of the building trades in the city indicate that only a small minority would remain in the industry, locally or elsewhere, long enough to qualify for a pension. The same condition is known to prevail in industries which have private pension plans. Therefore it appears likely that universal adoption of industry pension plans of the type now in vogue would fail to benefit substantial numbers of persons who attain pension age.

6. In view of this probable inadequacy of private plans, State pension plans are likely to be extended in scope and geographical coverage, and the New York State Old Age Assistance Act is likely to be broadened. In line with this broadening process the committee recommends that the New York Building Congress endorse a proposal to amend the New York State act by reducing the minimum age of eligibility from 70 to 65.

7. The committee recommends that the New York Building Congress adopt as its policy in regard to future old-age pension developments the principle of a State compulsory contributory plan to which the employers, employees, and the State would contribute; in which the needs of the building industry will be fully considered in formulating the plan and in which existing organization of the industry would be recognized in the administration of the plan.

8. It is recommended that no further study of this subject be undertaken by the New York Building Congress unless its executive committee wishes to inaugurate complete research studies with the intention of putting an actual plan into operation. For such a purpose much more intensive research, involving the securing of data on all the building trades of New York, is necessary. In the case of many trades, it would probably be necessary to induce the union officials to set up such statistical records covering their members as are not in existence today. Furthermore, conditions of employment in the building field change rapidly, and changes in age distribution go on all the time, so that data collected in advance for research purposes might be quite obsolete by the time the Building Congress, or any other building field organization, was ready to inaugurate a pension plan.

9. It is recommended that this report be printed and distributed to all members of the New York Building Congress and all building-trades organizations in Metropolitan New York and to those who have cooperated in making this study.

CHICAGO, ILL., *February 6, 1935.*

MALCOLM MUIR,
President McGraw-Hill Publishing Co.,
New York, N. Y.:

Retel contractors building industry because of individualistic nature of business not actively concerned over social legislation as an industry. Results Federal housing program particularly and public works program slightly make such readers generally sympathetic or apathetic administration efforts. Manufacturing readers are minority group with us and only a few larger ones are seriously concerned over program.

R. V. SAWHILL,
Domestic Engineering.

FEBRUARY 7, 1935.

Mr. MALCOLM MUIR,
McGraw-Hill Publishing Co., New York City.

DEAR MR. MUIR: Yesterday I received a telephone call asking me to submit any special ideas I might have regarding legislation relating to such matters as old-age pensions and unemployment compensation. Needless to say, I would have liked very much to cooperate with you, but because of the fact that I had just returned to my desk after several weeks in the South, I just couldn't do so.

In the first place, so many people in my own organization tackled me with various matters that I really did not get any time of my own until this evening and, in the second place, I really feel (because of my absence from town) quite a bit out of touch with the latest developments and trends as regards so-called "social legislation."

In the course of my travels, I did become increasingly impressed with one idea, namely, that standardization on a Nation-wide basis of almost anything from prices and wages to doles and unemployment compensation is thoroughly impractical and unintelligent.

While my own beliefs in this matter may be thoroughly out of step with those who are better informed and those who constitute the ruling majority, I neverthe-

less hold to the opinion that the Federal Government as such should not be a direct party to either old-age pensions or unemployment compensation on the grounds that such matters should be handled strictly by the States or subdivisions thereof. Through no other means does there seem to be much chance of assuring nonpolitical allotment of money or distribution which in the eyes of local people is strictly fair and justified from the standpoint of both the receivers of benefits and the real donors thereof (taxpayers). Of course, it is not hard to believe that political considerations will cause certain of the poorer States to be anxious to draw social benefits for their people from the people of those States which are able to amass greater composite profits. In fact, the danger in this regard seems so great that it at least seems vital for business men and publishers to make every possible effort toward seeing that the Federal Government does not become the sole contributor to either old-age pensions or unemployment compensation, but only a participating contributor; provided, that the major load is carried by State governments or political subdivisions thereof and by employees. It also seems to me that there are many advantages in seeing that Federal contributions to such ends are not based on income taxes or pay-roll taxes, but upon a sales tax.

Hope to have a visit with you in the near future.

Sincerely,

RAYMOND BILL, *President.*

[Air mail]

RADIO MANUFACTURERS ASSOCIATION,
Chicago, Ill., February 6, 1935.

Mr. RAY V. SUTLIFFE,
Radio retailing, New York, N. Y.

DEAR RAY: I am sorry about the delay in attending your telegraphic request which was due to my absence from the city, consequently I hope that this air-mail letter may arrive in time to attend your needs.

Unfortunately I am not in a position to give you a typical or industry viewpoint on the Social Security Act, consequently I am offering my personal views which should not be construed as representative of R. M. A.

The social service program of the President as proposed in the bills now before the Senate and House, will undoubtedly be beneficial to the general public; provided, there are cooperative measures between the State, the employee, and the employer in order that the additional burden to industry may not increase prices to the extent of retarding sales. The cooperative payment plan between these three elements would in my opinion, keep the cost to industry down, as well as create a responsibility with the employee that should be beneficial to the labor relations of business.

All of the elements of this program should improve the mental attitude of the employee and as a result of this assist business to the extent of this improved confidence.

While I do not fully agree with all of the percentages and elements in the program, I feel confident that after it is pushed around to both the Senate and House, the modified form resulting will be the most economical method for offsetting the rather numerous other forms of pensions, dole, and employment insurance that will be presented to Congress this year.

I also feel that it is definitely necessary for the President to present something of this type in order to avoid the highly burdensome radical plans which would have a reasonable chance of approval in the absence of the social security program.

Sincerely yours,

LES.

The CHAIRMAN. Rachelle Yarros, M. D.

STATEMENT OF DR. RACHELLE YARROS, HULL HOUSE, CHICAGO, ILL.

Dr. YARROS. Mr. Chairman: In connection with title VII in your bill dealing with maternal and child health I am particularly interested in representing to you a certain phase of health protection as far as the mother is concerned.

Reading over very carefully the statements made by Miss Grace Abbot and Dr. Adair at the hearing on this bill before the Ways and Means Committee in the House of Representatives I wish to say I agree with them thoroughly that the danger to the mother from birth is still far too high; it is alarmingly high. Now I have been in practice for 40 years, and I was associate professor of obstetrics of the medical department of the University of Illinois. In that connection I had a great many cases. I, myself, brought into the world about 2,000 babies among the poor people, and I had a great deal of experience in watching the situation personally, realizing what the dangers were.

Strange as it is, with all the efforts that the schools have made to prepare their physicians better for maternity wards, and with all the methods that have developed to improve the nursing service, the mortality rates remain very high.

Now, in my opinion, we haven't gone deep enough into the subject. There is no doubt that a great deal of child care is lacking on the part of the mother, because she has not the information, but a good deal more is due to the fact that she, herself, is not in any condition physically to continue the repeated efforts of her body resulting from childbirth. In my opinion, and in the opinion of those who have watched women bringing forth children in rapid succession, we have found that the health of the mother deteriorates. It is a tremendous physical effort, and now we know that all the endocrine glands make a special effort during that time and it takes at least 2 or 3 years to make a recovery.

Therefore I think, and many of those of my colleagues who have watched the situation feel, that if the mothers among the poor could face the number of pregnancies and childbirth as they are faced among the more fortunate, the mortality among them would decidedly decrease. These mothers would be in better shape to face the additional effort. They practically have very little rest.

It is in that work that I first became deeply interested, in the problem of spacing, limiting the number in the family, among not only the poor but those of our workers who have a rather low wage, and constantly, as I watched them, I have seen that if they have a chance actually to learn how to space the children and they have a rest that they do better for themselves.

Now at one place the question was asked of Miss Abbott about the mortality, this high mortality in childbirth, and she said there is no doubt it is due to the lack of care during childbirth and during pregnancy. To a great extent she is right, but to some extent she has omitted a very important part, and that is that even with the best of care a woman cannot recover rapidly enough to do her job well and to do justice to herself if she keeps on having those frequent pregnancies and childbirths.

Another point that was made by Dr. Adair, and the point that we must consider very carefully, is the fact that women all through the ages, with the encouragement of their husbands, and now particularly, feel that they cannot continue to carry the child and often the result is abortions. Now, abortions are highly prevalent. In these United States we haven't the exact estimate, but approximately it is stated between half a million and a million women abort. Now a good many of them are not self-induced abortions, but the mortalities from self-induced abortions is extremely high. They continue to do it,

not because it is a pleasure, because on the whole most women are against such procedure, they are very unhappy about it, but they resort to it as the lesser evil, and those of us who have come across hundreds of those women feel that it is extremely unfair in modern society not to give those women a chance to have the scientific information that the contraceptive clinics could give.

A study has been made by the Children's Bureau of the women who have had a certain number of births and it is quite clear from that study that the more children that a woman brings into the world, the more pregnancies, the more her life becomes endangered. Now, this is a thing that we must consider with the prevalence of abortions, self-induced or criminal abortions, to which these perfectly fine people have to resort or are resorting, and the fact that it is dangerous to their health to continue these pregnancies and childbirths.

It seems absolutely necessary now, in this new undertaking, which is such a marvelous thing for women, to save their lives and to save the children that are born, it is absolutely obvious that we must begin to face this fact: Instead of letting women induce abortions on themselves, with great danger to themselves, and having thousands of abortions criminally induced, that we ought to begin to take this remedy that we have before us, which many of the more intelligent women and men take advantage of, and that is the methods of contraception. It is practiced in this country very extensively. Most of our educated people, professional people, have small families. The mortality among the women is lower, the morbidity is lower, the death rate among children is lower, and consequently the advantages we have reached from this knowledge ought to be included as a part of this great health protection that is going to be given to the women and the children of those who are less privileged. On the whole, by doing that we would give the mother a chance to do better for herself, better for her children, and there would be a lower mortality among the women, there would be a lower mortality among the children. They would be able to have a better education, a better upbringing.

We hope that we will not always have to protect those people by this extra grant. We hope that in the future the situation will be such that they will be able to do it for themselves, but I am very sorry to say that because of tragedies and because of fear we have not included this remedy, or this phase of protective work, which is the prevention of conception, regulation of the number of children born, spacing the children, in our work among the women and children of those who claim our protection, particularly in these days.

It has been estimated recently in two very important studies, that the birthrate is much higher, between 50 and 60 percent higher, among those who are unemployed than it is among those who are partially employed. That in itself is a tragedy. It is a tragedy because those families are already exposed to the highest strain. There is tremendous discord among them, there is friction, and to add to that the strain of pregnancy and childbirth, with all the uncertainties, is almost cruel.

It seems to me in this emergency, where we are facing so many things and have tried to see facts, we ought to clear our minds on that subject. It is a perfectly decent thing. It is practiced by the finest, most enlightened, educated people. Instead of destroying life after it is born, which is dangerous, it is simply to prevent conception.

We have learned from long experience that there is no danger of the race dying out. A hundred thousand histories that have been carefully studied, prove that a great many women and couples that space their children have had more children, they have regulated their families. Those who have the knowledge of birth control very likely are going to have children, because they know they stop at any moment and there is not this fear that exists and produces psychosis.

One can go on and talk about these things that are so important to bring out in connection with the protection of women and children. The only tragedy, it seems to me, is the lack of courage even among thoroughly enlightened physicians and enlightened social workers, philanthropists and thinkers, to link this problem of the lack of conception with the whole scheme of health and protection to women. If you did that adequately, I think it would soon be recognized as just one of our preventive measures, which should be a perfectly legitimate one, just as many others are legitimate.

The CHAIRMAN. I would be very glad, if you want to elaborate your views, to incorporate your statement in the record.

Dr. YARROS. Thank you very much.

SUPPLEMENTARY STATEMENT TO THE COMMITTEE ON THE SOCIAL SECURITY ACT,
BY DR. RACHELLE YARROS, HULL HOUSE, CHICAGO

As previously stated a number of distinguished men and women have already appeared before a Congressional committee and have expressed their views concerning that part of the Economic Security Act which deals specifically with maternal and child welfare. The statements made by Miss Grace Abbott, Dr. Adair, and other authorities in this field have been very significant. We must indeed provide the mothers and children of this country not only with economic security but with the best medical and nursing care. If our work is to be at all effective and constructive and of permanent value to the family and community, adequate maternal and infant medical care is essential. There is one vital measure, however, which has thus far not been mentioned by the other speakers, a measure of tremendous significance for the health and protection of motherhood. I have reference to the dissemination of scientific and adequate knowledge concerning contraception. It is this aspect of maternal health conservation that I should like to stress before this committee. In this great crisis it is even more important that we should face all facts courageously and realistically.

In what way will the dissemination of contraceptive information conserve maternal health? First, it will give the opportunity to every woman to space the births of her children according to her own physical, psychological, and economic status. It has been amply proven time and again that too rapid successive childbearings has a deleterious effect upon the general health of the mother as well as upon the survival rate of the offspring. A great many deaths of mothers during childbirth can no doubt be ascribed to the fact that they had not had sufficient time to recover and recuperate from the previous delivery. Dr. Walter Timme, an outstanding endocrinologist has recently said that every woman should have at least 2 summers of sunshine between childbearings if she is to retain her physical, mental, and emotional balance. When the period between childbirths is too short, the mother's resistance is low and she is, consequently much more subject to the infections and complications which are responsible for so large a percentage of our maternal death rate. Obviously then, if the mother is to properly space the coming of her children and at the same time retain her normal marital relations with her husband she must be provided with adequate contraceptive information.

Secondly, contraceptive information for mothers will tend to reduce the infant mortality. Dr. Woodbury of the Children's Bureau has shown statistically that the infant death rate is definitely related to the period of time which elapses between childbirths. The shorter the period, the higher the infant mortality. According to his report; children born 3 years apart are subject to a death rate of 86 per 1,000 births; when the period is 2 years, the infant death rate is 98; when children are born only 1 year apart, the rate rises to 146. Clearly, then, contraceptive advice for the spacing of children is of vital importance to infant welfare.

Thirdly, contraceptive information will remove the recurrent anxieties and uncertainties of the mother. The repeated fear lest she conceive before she is ready for it physically and economically is a source of serious mental and emotional strain to every mother. This anxiety is responsible for an amount of family unhappiness, misery, and maladjustment which we are only now beginning to realize. Anyone who comes in contact with the intimate problems of married life, realizes that thousands upon thousands of marriages are broken up and disrupted primarily because of a lack of sufficient knowledge concerning the regulation of births in the family. There can be no doubt that efficient scientific contraceptive advice will contribute immensely to the physical and mental well-being of millions of families.

Fourthly, contraceptive advice will reduce the number of illegal abortions. It is a well-known fact that a very large number of our women resort to abortions for the purpose of controlling the size of their families, and that nearly 1,000,000 such operations are performed annually in this country. Abortion is an ancient method of population control, but it is a brutal, cruel, dangerous, and costly method. The death rate from abortions is high, and the amount of physical illness and mental injury to which it leads is untold. Yet statistics show that 1 out of every 3 or 4 pregnancies in this country is terminated by abortion. Can anyone calculate the amount of misery, chronic sickness, and even premature loss of life which this practice leads to? The only way to effectively reduce the number of abortions is to provide women with safe, scientific, and reliable contraceptive information. Those of us actually familiar with the problems of maternal and infant health and welfare feel very strongly that the greatest contribution which can be made toward the conservation of the health of mothers and children would be to provide contraceptive advice to the women who come for aid and relief to the Government and State agencies. We appeal to you to face this problem frankly, openly and realistically.

When you appropriate money for maternal and child health you must see that it is used wisely. I am very sure you do not wish to pour water into a bucket that leaks. Money spent for prenatal and postnatal clinics is indeed worth while but it is futile to encourage births when common sense tells you deaths will be the result. Therefore it is important that "other aspects of maternal and child health service", as mentioned in this bill, definitely include contraceptive advice and I respectfully suggest, gentlemen, that on page 51, line 12, after the words "child health service" you specify "including the establishment of clinics giving birth-control information to those who desire it."

I also submit a resolution adopted at a meeting held in Washington last night, representing every State in the Union, and attended by approximately 800 people. The resolution reads as follows:

"Whereas in the present crisis confronting the American people, the national purpose to relieve suffering and conserve human life finds expression not only in a Nation-wide relief program, but also in steps toward a comprehensive program of social security; and

"Whereas proposed Economic Security Act contemplates among other features, the special protection of dependent mothers and children: therefore, be it

Resolved, That we urge that such protection include, as a basic feature, making available to all families on relief, information as to where they may obtain contraceptive medical advice, so that they may properly space and limit the number of their children according to their ability to provide for them; be it further

Resolved, That this group recommends the creation in the Federal Government of a population bureau or department for further scientific study of the trends and problems of population, based on primary considerations of public health and racial conservation, to the end that a sound and permanent policy may be formulated in the interests of protected motherhood, healthy children, better family life, and greater economic and social security."

I thank you.

The CHAIRMAN. Mr. Filene.

STATEMENT OF LINCOLN FILENE, BOSTON, MASS., WILLIAM FILENE'S SONS CO.

Mr. FILENE. I should like to say, Mr. Chairman, before I read this very short paper, that I am in very deep sympathy with the general purposes of this legislation, and any criticism that I have to make I simply am making in the hope that it may be constructive.

I want to speak particularly on the unemployment compensation sections of the Wagner-Lewis-Doughton bill. Before giving you my views I want to say one thing about the bill as a whole. It is my belief that you are endangering the passage of all this social-security legislation, with whose general purposes I am heartily in sympathy, by having an omnibus bill. It may not be too late to separate the different subjects in the bill so that they can be dealt with individually and thus, I believe, more effectively.

In regard to the unemployment compensation sections of the bill let me call your attention to the fact that the Wagner-Lewis bill, which was introduced last year, and whose excise tax principle is a vital part of the present bill, was drawn in such a simple way that its passage would have accomplished two things absolutely necessary, in my opinion, to enable the country to make a sound start in this field.

In the first place, the Wagner-Lewis bill, like similar provisions in the present bill, made it to the self-interest of every State to set up some form of unemployment compensation. In the second place, differing from the present bill, the Wagner-Lewis bill left it to the States to determine whether they should establish insurance plans or reserve plans.

The Wagner-Lewis bill gave the States freedom to set up the type of law they wanted, provided it met with certain minimum requirements. I am not suggesting endorsement of the 5-percent tax in that bill which evidently was too large to meet with general approval. As I and many of my associates read the present bill as introduced, it is made impossible for the State to set up its own system of unemployment compensation unless it desires a system after the pattern of that proposed in the bill. I think that this is a great mistake because I think that all will admit that in this new field of law it is necessary for us to have plenty of experimentation by the individual States. Only from experimentation can we develop the types of unemployment compensation best suited to the different sections of the country.

I am speaking from several years of personal experience. I served on the interstate commission on unemployment insurance, appointed by Franklin D. Roosevelt when Governor of New York, and for some years I have been in very close contact with the studies made by the King commission on stabilization of employment in my own State of Massachusetts.

I feel that the most practical approach to the problem is to get started in the simplest way with the least confusion as to administration, methods, and form. That simplest way, as I see it, is to attack the basic cause of unemployment, namely, irregularity of work. This is true of prevention, not mere remedy. This is what we are trying to do in Massachusetts. Some other States want to attack the problem in a different way. But as I read the present bill the States do not have freedom to set up their own plans, and this applies particularly to those States which desire unemployment reserves instead of unemployment insurance.

The very fact that there are so many differences of opinion leads me to urge on this committee that we go back to the simple principle and structure of the Wagner-Lewis bill. That principle is, through the Federal excise tax, to make it imperative that every State shall

set up an unemployment-compensation plan but to leave it to the States to set up the kind of plan that their legislators determine upon.

I realize that your committee is under a great deal of pressure and for this reason I have confined my remarks to this simple basic statement. In order that I may be on record a little more fully as to certain general aspects of the problem and unemployment reserves in particular, I am leaving with you a paper which I prepared recently, and which was circulated generally among the distributive trade of the country. I hope that this may be of some help to you in your work on this bill.

(The paper referred to is as follows:)

UNEMPLOYMENT RESERVES

By Lincoln Filene

We are at a time when we can postpone no longer some constructive action on the question of unemployment compensation. It is a foregone conclusion that this whole question, together with other allied questions of economic and social security, will be placed before Congress by the President with definite recommendations which will unquestionably result in definite national action. It is, therefore, necessary for us business men to give the most careful study to the subject of unemployment compensation and determine in our own minds where we stand, and what we propose to do about it.

For a great many years we have been misled into believing that those countries that started unemployment-compensation plans many years ago were suffering under a severe handicap because of them. We now know that the contrary is the fact and that in Great Britain, for example, the unemployment-insurance system has been a buffer against want and distress and has saved both much needless misery and vast sums of money on demoralizing doles.

The unemployment compensation systems in Europe have had the effect of maintaining a certain minimum level of purchasing power for the masses of the community. Thus, some of the worst effects not only of seasonal unemployment but of the very great unemployment of the depression itself were cushioned and society thereby protected.

At this point I want to state emphatically that while the European unemployment-compensation plans were undoubtedly of the utmost value to European populations, it does not necessarily follow that we should copy European laws. Our own economic and social conditions are not those of Great Britain, for example. We have a different type of population; we have different methods of doing business; we are still a relatively young country with opportunity before us; we have the reputation for doing things in new and efficient ways.

It is said that we should have further study of this whole question of unemployment compensation before we take any action. I am impatient with this position. It may be that some individuals require further time to study the question and to make up their minds, but this is not a subject which has been at all neglected, and the essential basic studies necessary to give us the information on which to form a considered opinion have been made. For 15 years, under the leadership of John R. Commons, of Wisconsin, there has been thorough and painstaking research into the whole question. In the East, the seven-State commission on unemployment insurance, appointed in 1931 by Franklin D. Roosevelt, then Governor of New York, made studies and investigations of its own. In my own State of Massachusetts, a special commission on stabilization of employment, appointed by the governor in 1931, also studied the underlying principles which should be written into an unemployment compensation law, and the legislature now has before it the King unemployment-reserve bill, based on those investigations. The State of Wisconsin is the first to have an unemployment-compensation law, and although it is still early, preliminary reports of experience under this law are available.

Broadly speaking, two types of unemployment compensation plans are being considered. One is employment insurance with contributions by employer, employee, and, as a rule, the State, modeled after European laws. The other is unemployment reserves, the so-called "American plan" and, as I have already said, the basis of the only law in this field now on our statute books, in Wisconsin.

I favor compulsory unemployment reserves by State law with individual, separated company funds, administered by the State, with no compulsory contributions by employees, and with no contribution by the State except the cost of administration. I favor the underlying principle of the Wagner-Lewis bill which imposes a Federal excise tax on pay rolls. This seems to me the best practical method of securing uniform State action, uniform minimum standards among the States, and the elimination of the disadvantage which the progressive States would have if they enacted laws and added to their expense while other States enacted no laws.

There is, I believe, a great danger confronting us at this moment. The danger is that we shall fail to see the basic simplicity of this whole problem and that because of the present necessity of providing through community funds for the millions out of work, we shall get ourselves involved in an attempt to establish a complex system. I have said that we do not need further studies. It is, however, true that we do lack information about the actual extent of unemployment during normal times, and even today. Because we lack this information it is impossible for us to formulate a plan of unemployment insurance which will be actuarially sound. Even if we could formulate such a plan it would not, in my opinion, be the proper way to begin enacting laws on this subject.

The basic principle back of unemployment reserves is to attack unemployment at its source. This means attacking it in the individual business and attacking it by attacking irregular employment. Many American industrialists have experimented voluntarily with this method of attacking unemployment and have had notable success. The experience of these industrialists is a matter of record. The practical working of the reserve theory is that the employer by focusing his attention on irregularity of employment and by penalizing himself for such irregularity does everything that he can to prevent it.

Reserves are preventive, not a remedy. Unemployment insurance, on the other hand, is admittedly a remedy, not a preventive. One of the foremost American advocates of unemployment insurance has defined it as a method of "alleviating the social and economic consequences of unemployment." I believe that the proper approach to this problem is, instead of accepting unemployment as inevitable and providing a new community chest at expense of all, to localize the cost to the employer directly instead of to the employee and to the community, and hence to attack, as I have said, the evil at its very source.

Instead of enumerating the many sound reasons against unemployment insurance, I prefer to discuss here the constructive reasons for unemployment reserves.

In the first place, I repeat that the underlying principles and purpose of reserves is prevention. Reserves direct the attention of the employer to the problem of stabilizing employment. This means cutting out seasonal unemployment as far as possible, providing as steady work week in and week out as possible, approaching the ideal of a guaranteed job from year to year. Unemployment reserves are therefore constructive in underlying purpose rather than palliative. Reserves are in accordance with the whole spirit of American business and industry which has overcome so many apparently insuperable obstacles.

The unemployment reserve principle places upon the shoulders of the employer the sole responsibility for contributions to the reserve fund. Arguments in favor of this are, to my mind, inescapable. In the first place, it is the employer, not the employee, who can exercise control over conditions of employment. In the second place, it is the employer, not the employee, who can plan and put into effect measures regularizing employment. In the third place, it is the duty of the employer to write into his business costs the cost of unemployment, and by so writing this into his costs, to give himself every incentive to reduce this charge. In the fourth place, the employer, not the employee, can absorb this cost and can and will pass it on to the public.

Under the unemployment reserves principle the widest room is left open for experiments, for voluntary plans, for the practice of individual thrift and savings by the employees, for guaranteed annual wage plans, providing employers and employees wish to work them out together. In other words, the reserve principle promotes constructive experimentation which I believe is in line with the best thought and practices of American industry and business, and sets up legal minimum standards below which no plans may go.

The reserve principle prohibits employee contributions to the fund except on a voluntary basis. Again the reasons for this seem to me inescapable. The underlying principle is that unemployment is a business cost and should be so charged and hence paid by business, not by the employee. Precisely this same principle is successfully operating in workmen's accident compensation laws throughout

the country, and results in giving employers the incentive to make their places of business safe.

It is said that labor will have more self-respect if it contributes to an unemployment reserve fund. As a matter of fact, labor will bear without direct contributions to the reserve fund a heavier share of the burden of unemployment than the employer. In the waiting period before compensation is paid, under most plans at least a week, the employee must finance himself. If unemployment is longer than the short period during which compensation is paid, again the employee must finance himself. Lastly, since compensation is usually figured at about 50 percent of wages, the employee must make up the difference to maintain his standard of living. Looked at in this way it is easy to figure that the employee will contribute directly by his own loss of wages, under even the shortest out-of-work period, at least 3 percent of his annual pay.

The unemployment principle appeals to thoughtful business men, lastly, because it properly allocates the costs of unemployment where they belong. Under the reserve plan the employer with little or no unemployment, after having built up his reserve fund, will make no further contributions. Under every unemployment insurance plan the employer contributes to a general community pool which is used to take care of the unemployed from every source. The reserve principle stands strongly against indiscriminate charges on the efficient or fortunate industry to pay, in ordinary times, for the unemployed in the inefficient or unfortunate industry.

The Wisconsin unemployment reserve bill became law on July 1, 1934. The unemployment funds are in process of accumulation. According to reports from that State, "by July 1, 1935, it is estimated that they will aggregate nearly \$5,000,000, but although payments under the reserve fund may not begin for 6 months the effects of the law in stabilizing employment have already been felt. Some 70 companies in Wisconsin have already guaranteed their employees for the current year two thirds of full time work and wages for at least 42 weeks. As a direct result of the act also many other workers are now employed on a year's salary contract."

The same report on the Wisconsin law contains this significant statement: "In effect the new law requires every concern employing labor to assume certain obligations toward its employees and toward the community in which it operates. Henceforth it cannot with impunity hire (and often import) workers and then leave them without resources, to be supported by the public whenever it does not need their services. In this way the Wisconsin act addresses itself primarily to the kind of unemployment that is most readily preventable. With only a few months' experience to go on, some evidence is already accumulating in Wisconsin on this point. Those who are administering the new law find that its company-reserve feature has started many employers on a study of their employment problems. They are beginning to figure out how to run their businesses to keep their men as steadily at work and their reserves as nearly intact as possible. With similar laws enacted in other States, regularization might tend to advance and spread at a geometric rate of progress, since every concern that operates steadily thereby steadies the markets in which it buys and sells. Steadier year-round operation by the automobile industry, for instance, would make greater stability possible in many related industries."

There are many other reasons for the reserve plan. One of the most important of these reasons to my mind is its simplicity. We are today laying the foundation for a great advance in legislation looking to social security. It is vitally important that we build the foundation in such a way that this legislation can grow safely and successfully. Employer contributions are common to all unemployment compensation proposals. I believe that we can avoid dangers and mistakes if, at the beginning of our practical experience in this field, we confine ourselves to this common principle, namely, employer contributions, and build from them on. Essential to the success of any legislation of this type is honest and efficient administration. Again this means that we must have as simple and as easily administered law as we can write.

I, therefore, repeat, let us attack the problem at its one most vital point, namely, irregularity of work, and with a law that will meet with the approval of the two parties most directly concerned, the employer and the employee.

The cost of unemployment will finally be paid by the consumer of goods and services, not by the employer. This is as it should be. But for this reason, we business men have the responsibility of seeing to it that we eliminate all waste and all unneeded items in that cost. The reserve principle automatically gives the incentive to reduce waste and hence to reduce, not to add to, costs that the con-

sumer must pay. From every point of view, then, as well as from the point of view of building consumer purchasing power, the reserve principle is the soundest.

I want to leave with you the idea that if we attack irregularity of work, we shall make a start in a road to a system of unemployment compensation that will be solidly grounded in American experience and adapted to American psychology and economic needs.

The CHAIRMAN. Mr. Elbert.

**STATEMENT OF ROBERT G. ELBERT, AIRY HALL PLANTATION,
GREEN POND, S. C.**

The CHAIRMAN. I wish you would, for the record, state to the committee your business and what study you have made with reference to this particular subject matter, Mr. Elbert.

Mr. ELBERT. Mr. Chairman, my name is Robert G. Elbert. My residence is Airy Hall Plantation, Green Pond, S. C. I have developed in my statement, if I may be permitted to read it, more about my background, and so forth.

The CHAIRMAN. Very well.

Mr. ELBERT. Mr. Chairman and gentlemen of the committee, I have prepared a statement which I would like to read, as it is written for the sake of form and continuity.

In reading the testimony that has so far been presented to the committee, I notice that most of those who have appeared here have been concerned chiefly with the old-age pension feature of the bill. I believe the unemployment-insurance feature should be equally important, and the major part of what I have to say will be on that line.

I shall point out some vicious features of the bill as it now stands. I am convinced that the unemployment-insurance features embody a complete surrender to big business, and by that I mean it would be captured by the big business man and the big farmer, to the exclusion of most of the smaller people whom it should be designed to help.

In the course of my remarks I shall develop the proposal to put all these social-welfare activities under one head, namely, to create a Department of Social Welfare, which should have equal rank with other governmental departments, and be presided over by a Secretary of Social Welfare.

Mr. Chairman, with your permission, may I read the statement I have prepared?

The CHAIRMAN. You may go ahead.

Mr. ELBERT. My interest in this matter of social security goes back for some considerable time. Long ago I realized that, in our economic system, too much emphasis was given to finance and mechanism, and too little attention given to the security of the worker, who is an integral part of the cycle of production and consumption. Social security simply means economic stabilization.

In appearing before you today I may say that while I am interested, as a citizen, in the entire purport of the bill that is being considered, my special interest is in its unemployment-insurance features.

I am a member of the Business Advisory and Planning Council, and last year I served as a member of the Industrial Advisory Board. While on the Industrial Advisory Board, Mr. W. E. Woodward and I were appointed by the chairman as a committee to investigate various

forms of unemployment insurance and to formulate a plan which would be adapted to American economic conditions.

We made a report to the Board on June 18, 1934. Because of numerous requests, it was necessary to have thousands of copies printed and distributed. I spent all of last summer abroad making a thorough study, first-hand, of the way in which other countries were meeting their social problems. As a result I wrote a book on this topic, the title of which is Unemployment and Relief, in which I propose a plan which I believe to be the most practical one for America to adopt.

The problem of social welfare is a practical problem; it is concerned with a just distribution of earning power and the conservation of human energy. It cannot be solved in terms of idealism, nor in terms of greed. As a practical people we must do what can be practically done.

Having been a laborer myself and having in turn employed others; I think I know both sides of this question, and in my book I have tried to present both sides in a composite mechanism of social service which in the long run will, in my opinion, be for the best interests of all our people.

There are some who think that through social-welfare legislation they can redistribute wealth. They fail to appreciate that the more wealth there is in the country the greater the opportunity for employment of labor. By the process of redistributing wealth we distribute poverty.

THE CHAIRMAN. Have you available a copy of the book for each member of the committee?

MR. ELBERT. Yes, sir. Mr. Chairman, I sent every member a copy of this book, but I would be delighted to send every one on the committee another copy of it.

THE CHAIRMAN. I received one, but I did not know that you sent it to each member of the committee.

MR. ELBERT. Yes, sir. Any legislation which interferes with the activity of industry automatically and definitely stops the employment of labor.

Uneconomic taxation or too generous donations will destroy morale and kill initiative. Initiative is our greatest asset and has made us a great Nation. If we would protect labor we must protect industry because it is the foundation of our wealth. Industry is already sorely pressed by too high taxes. Let me mention only 22 of the taxes more than 200,000 manufacturers must meet: State franchise tax; Federal corporation tax, between 13¾ and 14½ percent; capital-stock tax; Federal income tax on undistributed income, a penalty tax up to 50 percent; excess-profits tax; real-estate tax; city, town, village tax; State tax; county tax; light tax; fire tax; police tax; paving and sidewalk tax; park tax; employers'-compensation tax; sewerage tax; N. R. A. code tax; school tax; telephone tax; gasoline tax; check tax; and documentary tax.

I do not mean to say that all these taxes are oppressive, or unjust, the point being that they are excessively numerous, confusing, and, in the aggregate, too high. The entire system of taxation is in urgent need of simplification. The proposed Wagner-Lewis excise tax adds to the confusion.

Another objectionable feature is that which puts the whole burden of employment insurance on the employer.

This bill, S. 1130, is one of the most important pieces of legislation that has ever come before Congress. I would respectfully suggest that this bill, for so important a piece of legislation, is badly drawn and should be broken down into several separate bills. I do not believe that I am exaggerating when I assert that, as a turning point in our history, it is as important as the Declaration of Independence.

When our forefathers signed their immortal Declaration they declared for independence; now, when a social-welfare bill of the far-reaching scope of this one becomes a law it will be an announcement to the world that the American people have declared for mutual independence. It will express our national solidarity. You cannot solve any economic problem if you get all tangled up with preconceived theories or with prejudices for or against anything or anybody. Yet there is no use arguing with a man who is hungry and cannot get a job, and who sees his wife and children in rags. It is useless to try to explain to him that it will not help if he tried to pull down the Constitution and destroy our American institutions.

I believe in the general principles outlined in this bill, because if proper legislation is enacted and administered it will do much to assist in maintaining the balance between consumption and production.

Mr. Chairman, there is no doubt that this committee and Senator Wagner, the proposer of this bill, are endeavoring to create legislation that will contribute to a solution of our social problems. In a similar spirit of helpfulness I feel impelled to criticize certain features of the proposed measure. It is hardly necessary to say that anything that is done will, at first, be in the nature of an experiment subject to future changes; but, at the same time, we should endeavor to make the experiment a sound and sensible one, and profit as much as possible from the experiences of other nations.

The bill, as framed, leaves the actual form of unemployment insurance to the States. This means that we shall have 48 different State systems, and 48 costly administrations and much duplication. I think this arrangement will be found impracticable. Here is one thing, for instance. Many large industrial concerns have plants in several States. Their operations will be covered by various types of unemployment insurance. Their workers are frequently transferred from one plant to another. An employee may be insured one way in New York, and, upon going to the Illinois plant, will be insured in another way under the Illinois law. What becomes of the contributions made to the insurance fund in his behalf under the New York law? There will probably be some administrative provision for transferring contributions from one State to another, by making book-keeping entries in the books of the Federal Treasury, and in the records of the State administrations concerned, or otherwise, but the bill does not say how this is to be done; and, in any case, it will lead to a vast amount of clerical work and correspondence.

It is assumed that a direct national unemployment insurance measure would be unconstitutional. That assumption may or may not be sound, but it is not the unanimous conclusion of the best legal minds, by any means. That the Federal Government has a constitutional right to levy an excise tax on employers is conceded by everyone. Does not the National Government have the correlated right to distribute the proceeds of such a tax to unemployed persons? And

if contributions are required from wage earners under the system, as I certainly think they should be, is there anything to prevent the Federal Government from levying such contributions by means of an income tax based on a percentage of wages and deducted from the workers' pay?

The geographical argument against a national system has no merit, according to my best judgment. This argument is that, on account of the size of the United States and on account of the varying wage standards and living standards in different parts of the country, one uniform system would be inapplicable to the whole Nation.

Under the Elbert plan, proposed in my book, this objection is overcome; it is fallacious, anyway. The Elbert plan provides for percentage contributions from both employers and workers; that is, both contributions and benefits are based on a percentage of wages and salaries. It should not make any difference, in principle, if the accepted wage is \$15 a week in one place and \$40 a week in another place. The contributions and the benefits should vary in the same proportions. So far as the employer's excise tax is concerned, this percentage arrangement is provided for in the Wagner bill, but the same provision should apply to workers, and there should be a flexible, sliding scale of benefits.

The most vital of all objections to these proposed State systems is that in all probability they will, in many instances, degenerate into local political machines of enormous power and evil influence. There is a danger of destructive political influences, in any event, even if there is a national system; nevertheless our history as a Nation shows that Federal institutions, operating locally, are more likely to be conducted on a nonpartisan basis.

Senator KING. You appreciate the fact that the Federal Government and the Congress are subjected to perhaps as high a pressure as any State legislature, don't you?

Mr. ELBERT. Yes, sir; I do appreciate that.

Senator KING. We have a Nation-wide propaganda that seems to sweep like a torrent over the country. It affects Congress.

Mr. ELBERT. I realize that, sir. I also realize, when I look at a Senator, I see thousands of people back of that Senator, or millions of people, scrubwomen, workers, elevatormen, and they stand back of every one of you gentlemen and you are here representing them, as I see it. I think that is the main consideration, to think of these poor devils who are looking to you, regardless of pressure. That is the way I feel about it, sir.

Senator CONNALLY. Will you read the last sentence again?

Mr. ELBERT. There is danger of destructive political influences, in any event, even if there is a national system; nevertheless, our history as a Nation shows that Federal institutions, operating locally, are more likely to be conducted on a nonpartisan basis.

Senator CONNALLY. I thought perhaps you had it the other way around.

Mr. ELBERT. I am sorry, sir.

Senator CONNALLY. It is through the relief organizations that we set up, operating through State organizations. The Federal Government has turned over this relief money in most cases to State agencies.

Mr. ELBERT. Yes, sir.

Senator CONNALLY. Isn't it a fact that it has been, in many cases, utilized for political purposes, dishing out Federal money without any State responsibility at all?

Mr. ELBERT. Senator, that is most difficult to say definitely; that it is or is not. I would prefer not to comment on that, sir, if I may avoid that question.

Senator CONNALLY. You were generalizing there. I was wondering whether you could not elaborate on your illustration.

Mr. ELBERT. I think, Senator, where money is being doled out, or handed out, or given out, even in private business, there are always some forms of graft. May I continue, Mr. Chairman?

Many of the apparently difficult questions that surround this proposed plan of unemployment insurance are not really as perplexing as they seem to be at first sight. They arise from a misunderstanding of the true nature of unemployment insurance and its economic purpose. Its primary purpose is to sustain purchasing power, to strengthen the stability of the national economic structure. Now that can be done only by adopting the well-tried insurance principle of mutual assistance, applied to the whole Nation, regardless of State boundaries.

Senator CONNALLY. Would it divert you if I asked you a question?

Mr. ELBERT. No, sir.

Senator CONNALLY. I have heard a good many testify that the main thing about this insurance is to maintain purchasing power. I thought the main purpose was to take care of these people when they are out of a job. I do not subscribe to the idea that it is 100 percent for sustaining the purchasing power, so they can spend the money as fast as they possibly can get it in order to make a profit for somebody else. I might advocate it to take care of somebody that might otherwise be on charity.

Mr. ELBERT. Senator, an efficient unemployment insurance will take care of jobless people and tend strongly to maintain purchasing power. That will be its economic effect. It is when our consumption falls off and production increases and builds up inventories that causes unemployment, sir.

Senator CONNALLY. Certainly.

Mr. ELBERT. That is the reason I am thinking of it from an economic angle. Of course I think of it from a human side too, but in thinking of it as correcting the economic evil we automatically correct the human side of it by giving people constant employment, and by providing a fund to meet unemployment.

Senator CONNALLY. I think that ought to be the major consideration.

Mr. ELBERT. The major consideration, sir, is to keep people at work, as I see it.

Senator CONNALLY. Many people appeared here and always talked about increasing the buying power, as if their object was to confer benefits on people in order that some corporation can grab the benefits away from them in order to increase business.

Mr. ELBERT. Senator, as I see it, the wealth of the Nation is not in its production but in what it can consume. That is what makes a nation wealthy, its consumptive ability or purchasing power.

Senator Couzens. It does not make money to produce if you cannot consume.

Mr. ELBERT. No, sir. An inventory represents money invested. If a business man gets too much stock on hand he cannot help himself; he has got to shut down, that is all. If you can keep up the buying power the manufacturer will keep employing men. Senator, you would hire every man in the United States if you could make money doing it.

Senator COUZENS. There are some of them that I would not hire. [Laughter.]

Mr. ELBERT. I say if you could make money doing it. That is the object of the business man. He is just out to make money. Is that all, Senator?

Senator COUZENS. That is all for the present.

Mr. ELBERT. I consider the segregation of State reserves as provided for in the bill to be a serious defect. The bill reads that all funds contributed by any State shall be deposited in the Federal Treasury and held there in trust for that State only. We all know that there are periods when business and industry are depressed in one section of the country—with a consequent large increase in unemployment—while industrial conditions are good in other sections. Is it the purpose of the backers of this measure to permit the insurance funds of one State, or of several States, to become exhausted through the effort to meet unemployment benefits while other States have surpluses to their credit in the Treasury? Evidently that is what is meant, and my comment is that this provision is contrary to the most elementary of insurance principles. The whole country is one economic entity, and whether we believe it or not the fact is that we are all in the same boat.

It is just as important to relieve unemployment in Maryland as it is to relieve unemployment in Colorado. To that end I suggest that all contributions for this purpose be pooled into one national fund from which benefits shall be paid, under proper conditions, regardless of geographical distinctions.

Business and industry are national in scope; the border lines of States are mere shadows in their relation to the needs of a Nation-wide commerce, or in respect to the mutual relations of capital and labor. In administering certain parts of the social security program—such as public relief and other forms of governmental charity—I think it advisable for the States to cooperate, both with funds and executive intelligence, for such matters can be handled more efficiently, and with less expense, through local contact with the situation.

But unemployment insurance is another matter altogether. It is not a charitable enterprise; it is meant to be, and should be, self-supporting. Does anyone believe for a moment that it would be wise to compel the large life-insurance companies to break up into 48 small companies, with 48 separate administrations and 48 varying scales of premiums and benefits?

The segregation of State funds is a bad feature of the bill, but it contains another invidious distinction which is even worse. I am referring to the provision made near the bottom of page 46 of the printed bill for what are termed "Reserve accounts" and "Guaranteed employment accounts."

Under the first of these provisions, that of "Reserve accounts", an employer or a group of employers may be permitted to pay their

contributions into individual accounts, held in trust for that particular concern or group.

Senator KING. You are condemning the Wisconsin plan, then, are you?

Mr. ELBERT. Yes, sir; I think it is the most vicious unemployment-insurance measure that has ever been enacted, as far as the worker is concerned. It is fine for big business.

Senator COUZENS. May I ask you a question at that point? You have used the term "big business" several times. Can you define what you mean by that?

Mr. ELBERT. The General Electric, the International Harvester, the United States Steel, and corporations of that kind, sir. That is my idea of big business.

Senator COUZENS. From your study of the problem, have you any view with respect to the limitation of capital investments as differentiated between big business and ordinary business?

Mr. ELBERT. No, sir; I think it would be a difficult task to do that, because big businesses are, after all, primarily owned by small stockholders.

Senator COUZENS. They are not controlled by small stockholders?

Mr. ELBERT. Now, I did not say that.

Senator COUZENS. In most cases they might just as well not be owned by small stockholders, as far as the management is concerned?

Mr. ELBERT. Yes, sir. I think that is true in a good many cases and should be rectified. I agree with you. The small stockholder has not a great deal to say, but I think the security bill that you put through in Congress last year, and also the stock exchange committee, will eventually work out something to correct that evil.

Senator COUZENS. You referred to page 46 of the bill?

Mr. ELBERT. Yes.

Senator COUZENS. And you said at the beginning of your statement that this bill was in the interest of big business. Was it because of the language at page 46 that you said that it was in the interest of big business?

Mr. ELBERT. No, sir. Senator, if I am permitted, I will explain that. I will tell you what reserve accounts are and what guaranteed employment is and I am against them because they favor concerns that are wealthy and strong. I am talking against my own interest to a certain extent in making that statement.

Senator COUZENS. Are you in big business?

Mr. ELBERT. I am retired now; I am not in any business, and I am not connected with any business.

Senator COUZENS. Why did you say it was against your own interest?

Mr. ELBERT. Because I have money invested in some big concerns. I own stock and things like that.

Senator COUZENS. But you do not run these big businesses?

Mr. ELBERT. I have nothing to do with any of them. I am devoting most of my time and thought to social service.

Now, if I may continue, payments made from these fenced-in reserves will cover only unemployment insurance compensation to the workers in that particular industry or group, the reserve account may be set aside to the credit of one employer only. The employers included in these groups have no liability except to their own employees.

The intent of this provision is apparently to allow employers in these groups to reduce their percentage contributions after a certain reserve has been set up to their individual credits.

In England this practice is known as "contracting out." It was tried years ago over there, before the British had gained much experience in unemployment insurance. The disastrous effects were so obvious that the "contracting-out" law was quickly repealed, but not before the insurance and banking industries had set up their own systems. All contributions in England today, with the exception of those made by banks and insurance companies, are paid into a single national pooled reserve.

The "guaranteed employment" provision, as the committee knows, is a device by which employers who guarantee their employees full wages for 42 weeks a year are enabled to escape from the necessity of contributing to the general state or national fund.

Both of these devices are bad.

Senator CONNALLY. Do you mean by that that they are exempted away from the general provisions in the bill and are permitted to segregate themselves off?

Mr. ELBERT. Yes, sir.

Senator CONNALLY. Why should that be?

Mr. ELBERT. They should not be. That is the surest way to kill unemployment insurance and make it a failure, and if I may read, I will tell you why.

Senator BLACK. That is the distinguishing characteristic of the Wisconsin plan that you have just condemned.

Mr. ELBERT. Which I do not like.

Senator BLACK. Which you do not like.

Mr. ELBERT. I do not think it is practical.

Senator BLACK. In other words, it permits business groups to have insurance pools of their own instead of having them all pooled together?

Mr. ELBERT. That is it, and that is the only way, a pooling together, in which you will ever make unemployment insurance work.

Senator KING. May I ask you a question?

Mr. ELBERT. Yes, sir.

Senator KING. The Wisconsin plan seems to recognize that a big concern that conducts its business in a prudent way and initiates all of the improvements, the technological developments possible for the purpose of making life safer and preventing casualties, ought to have some consideration and ought to have some marks of credit, and as those marks of credit increase, obviously it would mean that their casualties and unemployment are less and therefore there ought to be a lesser tax levied upon them.

Mr. ELBERT. Yes, sir; that is the principle.

Senator KING. You do not approve of that. Take two employers, for instance. One is rather careless and indifferent to the technological developments and to those things that would increase the output and make a better situation for his employees; and the other is very scrupulous in that regard, meticulous in watching all improvements and watching the market so that his product would not be unsold and so that there would be a larger employment for his employees, don't you think that he ought to have some credit for those efforts which

he makes to stabilize employment and maintain a uniform employment?

Mr. ELBERT. In my opinion, the state of affairs which you have outlined has nothing at all to do with unemployment insurance. We are mixing two ideas which do not belong together. Inefficiency in industry is deplorable, but we should not try to correct it through the insurance system. There is a different approach to that problem.

Senator KING. Would you favor a plan that would crush the plans of about 400 organizations that have enacted such plans?

Mr. ELBERT. I am going to cover that in just a minute.

Senator KING. Companies like the Eastman Kodak Co.? Would you destroy those plans?

Mr. ELBERT. The Rochester plan, on the whole, has been a failure, though I have no doubt that strong concerns, like the Eastman Kodak, are capable of maintaining their own insurance systems, but I do not consider these separate systems desirable from a social standpoint. Nearly all of these plans are failures. I cover those things, Senator. I have tried to anticipate and figure out what you would want to know and if I am privileged to go on, I think I will save your time.

As I said, both of these devices are thoroughly vicious.

They are the conceptions of "big business", and have been smuggled into this bill, under one guise or another, by those who are opposed to its primary purpose and plan to make an abortive thing of it, to cripple it to such a degree as to render it ineffective. They favor "big business" and the "big farmer." I do not say this in the sense that I am especially opposed to big business because if I were I would be against my own Government. Most big businesses we must remember are owned by small stockholders with an average of about 10 shares each. Proper legislation should be enacted to protect the worker and conserve his funds.

Under the "reserve account" provision of this proposed bill—if and when enacted into a law—the big business groups and the big farming groups would set up their own insurance funds at once.

Other employers whose personnel is composed chiefly of technicians and skilled workers, in occupations where the stability and continuity of employment are on a high level, would put themselves under the "guaranteed employment" provision.

These segregations would be unjust in many ways. In the first place they would be unfair to other employers who are carrying on their enterprises under conditions which forbid the creation of special reserve accounts, and who cannot guarantee—because of the nature of their industries—employment to anybody for a stretch of 42 weeks. In short, it would serve to give a distinct advantage to large concerns and semimonopolies over their smaller competitors. How would that come about? The answer is that with carefully selected personnel and highly skilled labor, employed by strongly entrenched companies, the employment shifts would be slight, and the cost of carrying on this group insurance might very well drop down to a minimum of 1 percent of the pay roll.

But over the vast extent of American industry the unselected personnel must be taken care of. Unemployment insurance, as I conceive it, is not intended only to cover trusted office clerks and skilled electricians and linotype operators, and other similar classes. To do what we expect it to do it should include, on an equal basis, the

whole rank and file of American workers. It cannot be done on an equal basis if you permit thousands of tight, closed-in insurance systems and employment guaranties to carry on at the same time. The result would be a patchwork system under which the percentage rate of contributions would eventually have to be raised on behalf of those who belong to the general mass of workers—and there you would have an additional discrimination against the small employer.

Senator CONNALLY. Is it not the whole theory of this legislation that those who continue in their employment regularly should contribute something to take care of the casuals?

Mr. ELBERT. Absolutely; it will never work otherwise.

Senator CONNALLY. Is not that the theory?

Mr. ELBERT. Yes, sir; but this bill does not work it out.

Senator CONNALLY. That is the theory, that the efficient ones who have continuous employment will contribute to some whose employment is not so favorable?

Mr. ELBERT. Yes, sir.

Senator CONNALLY. The big company is going to have its efficient men and they will never be discharged until they get too old.

Mr. ELBERT. That is right.

Senator CONNALLY. Unless you make both the efficient industries and the efficient workers contribute to take care of the casuals, and the inefficient, who are going to be the first to lose their jobs, you are not going to accomplish anything.

Mr. ELBERT. You have hit it right on the head, Senator.

Senator CONNALLY. I am enjoying your discussion. Therefore, if you permit these big efficient corporations, like the Standard Oil and the International Harvester to segregate themselves off into watertight compartments and run their own system, you are going to destroy the whole basis of this legislation.

Mr. ELBERT. I think so; yes, sir. Unemployment insurance will never work that way.

Senator CONNALLY. I agree with you thoroughly.

Mr. ELBERT. Thank you, sir.

Senator KING. Do you not have efficiency in some of the smaller enterprises?

Mr. ELBERT. Yes, sir.

Senator KING. It has been said that there is a point at which big industry will suffer in economies and in cost of production in comparison to the cost of small plants and institutions which are as efficiently managed. There is a point where the law of diminishing returns becomes applicable.

Mr. ELBERT. There is no doubt about that.

Senator KING. I know of many small mines that are operated much more economically and efficiently and more satisfactorily to the employees than the large mines, and the same with some small businesses in contradistinction to large business enterprises.

Mr. ELBERT. That is true.

Senator KING. So that I think you postulate or assume that big business is necessarily more efficient than the small business, and I do not think that is true.

Mr. ELBERT. They usually have greater resources. There are probably some four or five hundred that have built up enormous surpluses of money and insurance. What would they do? Immediately

they would go in here and guarantee the 42 weeks and put up the necessary money to do that. In doing that, they are exempt from the 3-percent excise tax as the bill reads. Then what else will they do? What do they do when they set up that money necessary to do that? They will take the money to be used for distributing dividends, and reducing the income tax. So they are beating the Government two ways. I have to pay somewhere around 56 percent to the Federal Government besides State taxes on my income. If that money is set aside and built up as a reserve, it saves me 56 percent from the Federal Government on income tax, whereas if it is paid to me in dividends, I am out that much and have to pay it on income tax. It is a bad thing, and that is my objection to it.

May I continue?

The CHAIRMAN. Yes, proceed.

Mr. ELBERT. There are two underlying purposes behind these proposals. One of them is to arrange things so that big business—both in industry and agriculture—can eventually reduce the percentage cost of their contributions to a level below what the common welfare would require. The other purpose is to enable big business and the big farmer to tighten their hold on labor. The dictatorial power over its own employees would certainly be increased in the case of any concern that has a stranglehold—disguised but real—on the unemployment fund which is designed to protect its own people.

In considering this matter I think it might be well to keep in mind that employers may set up their own employment-insurance systems right now, without the enactment of any law—and some have already done it. Moreover, any employer may guarantee employment if he is moved to do so, and some have already done that, too. You do not need a bill for such things. The purpose of an act of Congress in this field should be to get rid of these private ventures by making them unnecessary.

In the event the bill is passed with the provisions that I have just been discussing still included in it I have no hesitation in predicting that its effectiveness as a measure of social welfare will be reduced by at least 75 percent. Moreover, when it becomes a law it will be a sign to all men, as plain as a newspaper headline, that "big business" has captured the strategic points of the unemployment-insurance system and that it will be conducted as an adjunct or subsidiary of the large corporations instead of fulfilling its proper function as a broad measure of social welfare in which all workers may be included on terms of equality.

Going further, there is another feature of the bill that I look upon as a serious defect. It is provided that contributions amounting to 3 percent of the pay roll shall be paid by employers. Nothing is said in the text about contributions from insured workers, though by implication it is assumed that any State may enact a law which will require such contributions. In the general hodge-podge of varying State laws which will result from this bill, if passed in its present form, there is every possibility that some States will require worker contributions, and there is an equal probability that other States will not require them. I am strongly in favor of uniformity in this matter. The insured worker should contribute something to the insurance system from which he will benefit. The so-called "gift system", under which the worker pays nothing, but receives all the benefits, has never

worked anywhere, and it is not in use in England or in any other European country, so far as I know.

The gift system will lead to fraud, which should not be surprising when one considers that those insured under it will have none of their own funds in it. As a universal grab bag it will furnish a distressing spectacle for a few years and a fertile field for congressional investigations. After that is over it will probably be thrown on the junk pile and some other system more closely in accord with practical sense will be adopted.

Senator KING. I assume that your investigations showed that nearly all countries where they have successful unemployment insurance laws, if there is any country that does have it, the employee makes contribution?

Mr. ELBERT. Every country, and Sweden has gone so far as not to allow anybody to contribute except the employee. It is human nature that when an employer figures that he can get more out of his product because they have placed a tax on his pay roll, the industry will immediately take that money and turn it right around as though it were a sales tax and absorb it in its overhead, whereas if you make it smaller for them, they are apt to absorb the cost instead of putting it on the article. The higher we get our costs of production, the worse off we are as far as competition and reduced buying are concerned. If we could get Ford cars on an average from the \$600 they are now down to \$300, there would be many times more of them sold and many times as many more people employed. Whereas if you tax Ford, we will say, or any concern—I am merely using that as a name—and get the price up to \$1,000, where they had been absorbing these things, there would probably be one-third of them used. It just works that way economically. What we want to do and what I am interested in is trying to get more people employed. That is all I am interested in.

The unemployment insurance system should be a mutual concern, the worker contributing half and the employer half of its funds. The worker ought to be willing to do this as a matter of personal self-respect. It will give him a stake in the system; he will be part owner of all its funds, and he will endeavor to protect them against unjust claims. Labor should be adequately represented on all insurance administrative boards from the highest to the lowest.

In my book I suggested that the worker and his employer each contribute 2 percent, or 4 percent in all. Two percent of the worker's wage is equivalent to 1 week's earnings in the course of a year, and the employer's contribution of 2 percent would mean only 1 week's addition to his pay roll.

Surely any concern can afford to set aside a week's pay roll, and any employee ought to be willing, I should say, to protect himself in time of adversity, to set aside 1 week's pay out of a year.

Senator COUZENS. What have you to say with respect to the ability of the employer passing it on to consumption while the employee is unable to do that?

Mr. ELBERT. That is a danger, Senator, that will be done by business if it gets too high. That is why I would like to keep it down low.

Senator COUZENS. Whether it is high or whether it is low, the employer can pass it on in his costs.

Mr. ELBERT. A great many will do that.

Senator COUZENS. But the employee cannot.

Mr. ELBERT. No, sir; the employee cannot. It is unfair, but I do not know any way that the employee can pass it on.

Senator COUZENS. Is not that an obstacle to your conclusion?

Mr. ELBERT. Well, it is a fact, and it is a situation. I do not see that it improves matters not to allow the employee to contribute at all, because then he won't feel that he has any interest in it, and everywhere it has been tried it has failed.

Senator KING. And you think the advantages to be derived overbalance the disadvantages?

Mr. ELBERT. I think it is so much better for the employee's sake because if he is contributing money himself he will be alert to see that no one takes any part of it wrongfully. Another thing, the 2 percent from the employer amounts to a 2-percent raise to him really; it is really an increase in his pay. Suppose he does put it on and he has to absorb it, he has got it, isn't that so?

Senator KING. If he does what?

Mr. ELBERT. Suppose the employer does add that to the cost of production, he is giving it to the fund for the benefit of the employee, and theoretically sometime that employee will get out of a job and use it. That 2 percent is tantamount really to an increase or a spread in the wages for the benefit of the employee.

Senator KING. Yes; but it is not costing the employer anything, because he is taking it out of his buyers.

Mr. ELBERT. Yes, sir; it does cost him something.

Senator KING. How?

Mr. ELBERT. Through the cost of his material and all that. People that are in competition—every industrialist wants to fight to keep his costs down, and he will be forced to absorb a great deal of that.

Senator KING. You have spoken of competition. Is there any competition under N. R. A.?

Mr. ELBERT. Yes, sir; I think so.

Senator KING. You think there is?

Mr. ELBERT. Yes, sir.

Senator BLACK. In your book, although you do advocate employee contribution, you call attention to the number of millions of American workmen who make so little now that you would simply be taking away a part of an income which is altogether inadequate to support them. I think you have a chapter devoted to the maldistribution of income?

Mr. ELBERT. Yes, sir.

Senator BLACK. Calling attention to the number of millions who do not make enough to contribute anything, and that you would simply be shifting that purchasing power to somebody else.

Mr. ELBERT. No; not necessarily. I think, Senator, unemployment insurance really amounts to a spread in wages; that is about all. It amounts to a reserve fund and a spread in wages.

Senator BLACK. You do have the figures in your book, do you not, of the millions who are receiving inadequate incomes now to live? You call attention to that as I recall, very forcibly.

Mr. ELBERT. Yes.

Senator BLACK. And insofar as that group is concerned, it would still more greatly reduce the inadequate income which they now have.

Mr. ELBERT. It reduces it to the amount of 1 week's pay in 1 year.

Senator BLACK. And to those who are drawing under \$500 a year, that is a tremendous sum, isn't it?

Mr. ELBERT. Yes, sir; I would say so.

Senator CONNALLY. But that is the very class that would benefit mostly? The class that Senator Black mentioned?

Mr. ELBERT. Yes, sir; that is the very class, but the insurance system can do nothing about it. In many industries wages should be higher; in some they are too high. There should be a remedy for that, and I believe there is, but it has nothing to do with unemployment insurance any more than it has to do with life insurance.

Senator CONNALLY. The casual workers and the lowest-paid workers would get the most benefit out of this law?

Mr. ELBERT. Yes.

Senator CONNALLY. And it will be an incentive for them to keep the system working properly, to keep the chiselers from attempting to get something that they were not entitled to?

Mr. ELBERT. Yes, sir; you are quite right.

Senator COUZENS. What would you say to an excess-profits tax as a fund to take care of this job?

Mr. ELBERT. I do not think that would work out, personally.

Senator COUZENS. You do not think it would?

Mr. ELBERT. It would complicate things. We have got a similar tax to that. We have State franchise tax, a Federal corporation tax, capital-stock tax, and Federal income tax on undistributed income, excess-profits tax—

Senator BLACK (interposing). We have no excess-profits tax. We had it during the war and shortly thereafter, but not now.

Senator KING. You have a corporate tax, and we have increased the taxes upon corporations.

Senator CONNALLY. There is a dividend tax.

Senator KING. Then we have an income tax.

Mr. ELBERT. I got my figures from a chartered accountant on the taxes of a firm, and I would like to look that up. That is from the taxes of some 200,000 manufacturers, which they have to pay, and there is excess-profits tax there, according to what they tell me.

Senator COUZENS. I think you will have to check that up. Since we have the capital stock tax, I think the enforcement of an excess-profits tax would not be difficult.

Mr. ELBERT. Senator, I feel that contributions from employer and employee is the soundest way to work it, because that is based on the soundest practical experience of other nations. England has had about 25 years of experience, and I think of all of the other systems, it would come nearest to fitting in, because we are all Anglo-Saxon and it works better than anything I have ever seen.

Senator BLACK. The State contributions; if levied, would come from high incomes and from profits largely, would they not?

Mr. ELBERT. In England the employee pays one-third, the State pays one-third, and the employer one-third.

Senator BLACK. So that if we follow the English system, we would have to have a contribution out of the United States Treasury?

Mr. ELBERT. I will come to that.

Senator KING. You do not forget the fact when you speak of the employers that more than half of the employers of the United States pay no taxes at all, because they are in the red.

Mr. ELBERT. That is true.

Senator KING. And a good many of them have been wiped out.

Mr. ELBERT. And I think, Senator, if you owned 100 shares of stock of every corporation in the United States, your income would be about one-half of 1 percent, if that.

Senator BLACK. A great many of those that show up to be in the red have been demonstrated by investigations to be in the red because of the payment of excess bonuses and excessive salaries, watered stock, and draining the companies through subsidiaries and associates and affiliates.

Mr. ELBERT. I agree with you absolutely. I think it is a bad practice and ought to be stopped.

Now, continuing, it seems to me that anyone on a wage or a salary, and subject to the disastrous consequences of unemployment, ought to be willing and eager to contribute 2 percent of his earnings to insure his own welfare, particularly in view of the fact that his employer is contributing an equivalent amount.

Under the Elbert plan, the compensation, or benefits, in case of unemployment are considerably larger than the benefits proposed by the President's Committee on Economic Security. For example, under the plan that I worked out, with a rigid regard for actual conditions, so far as they could be ascertained, the combined 4-percent contribution would pay benefits for 26 weeks, in amounts ranging from 35 to 55 percent of the jobless worker's former wages. The variation in benefit percentages depends on whether the beneficiary does or does not have dependents. I am convinced that a 4-percent contribution would take care of all unemployment in normal times and in minor depressions.

I do not believe the proposed 3-percent contribution is adequate, in any event, and from the text of the bill it is to be further reduced in effectiveness by a deduction of 10 percent of the amount to cover the cost of administration. The cost of administration should be on the Government—that would be the Government's sole contribution to the insurance system.

I am of the opinion that it would help greatly in getting the system started off on the right foot if this present measure were amended so as to include a model bill—a standardized act—which the States would be required to pass before being entitled to a share in the excise-tax fund. In suggesting this I am assuming that a national law is not possible, and that we must have 48 State laws and State administrations, whether we like it or not, assuming also that such a model bill can be incorporated constitutionally in a taxation measure.

In the model State bill I would include a provision that the States require insured workers to contribute 2 percent of their wages and salaries, and in the present Federal bill which is now being considered the employer's excise tax would be correspondingly reduced to 2 percent. The result of this would be to make the body of insured workers owners of the system to the extent of 50 percent.

The proposed method of collecting the employer's excise tax is open to objections. The bill provides a plan of collection identical with the prevailing method of income-tax collection. It would be much more efficient, and much less clumsy, to settle this tax weekly—or monthly, if wages are on a monthly basis—by using stamp books. Under this method every insured worker is provided with a small book

which he carries in his pocket. It contains his name, address, occupation, name of employer, and amount of wages or salary. There are blank spaces, numbered and dated by weeks. On pay day the worker presents his book to the paymaster, and the paymaster pastes in a stamp representing the correct percentage of the man's wages. These stamps, used for this purpose only, would be on sale at every post office. The insured worker carries with him the evidence of his insurance protection; the stamp book is the equivalent of an insurance policy.

Under this plan the worker is not tied down to any one job or place. On taking a new job he presents his book on pay day, and his new employer pastes in the stamps.

Suppose, under the method of annual collection, the employer fails in business—say in December. He goes bankrupt, he is unable to pay any taxes. What happens then to his insured employees? Are they insured or not? Evidently not, as nothing has been paid in on their behalf for a year, and their employer has gone broke. It would appear that their policies had lapsed.

And take the case of a contractor who is digging a sewer. He employs 25 men—all casual laborers. The work on the sewer is done in 3 months; the gang is discharged, and the men scatter. What evidence have they that they are insured at all? To say nothing of the infinite number of disputes and errors that will arise when that contractor makes out his pay-roll tax return. Under the stamp-book method these difficulties would not appear.

Public employment offices are an absolutely necessary feature of any workable plan for unemployment insurance. They are so important, indeed, that I would put them at the head of the list of all the administrative paraphernalia of the system. You cannot get along without them. They keep track of insured workers; they pay out benefits to the unemployed; they look out for new jobs for those who need them; and, being on the spot, they will be efficient agencies for detecting frauds.

In my book on unemployment insurance I suggested that agricultural laborers, and domestic servants and Government employees be left out of the system for the time being—at the beginning, at any rate—and that the insurance coverage be limited to establishments employing three or more people. The proposed bill puts the limit at establishments employing four or more people.

The insurance should cover everyone engaged in manufacturing, mining, mercantile, and office work, transportation, communications, and so on, regardless of the number of employees. Otherwise, it amounts to discrimination against the employee of small concerns.

Senator WALSH. Would you include barbers, for instance?

Mr. ELBERT. Yes, sir.

Senator WALSH. And people working in small laundries?

Mr. ELBERT. Yes, sir.

Senator WALSH. Bakers?

Mr. ELBERT. Anybody that employs one person or more, excepting domestic servants and farmers. Except Government employees and State employees; I would like to see them excluded.

Senator CONNALLY. I thought you proposed three, and now you say one.

Mr. ELBERT. I have changed my mind since I made my study in England, and also there was much consideration and study given to it by a great number of people very familiar with the subject, and they say it is a mistake because they are discriminating against the little fellow. Sir William Beveridge brought that out. In the English system, if you hire anyone who is not a domestic servant, you pay the tax, and he has the record in the stamp book.

Senator WALSH. Are not domestic servants included in the German plan?

Mr. ELBERT. I think they are, but there are very few domestic servants in Germany. They are included; I am reasonably sure they are.

Senator BLACK. With reference to your correspondence in England, I read somewhere that there is an amendment offered at the present time or in process of preparation to include agricultural workers and domestic employees?

Mr. ELBERT. Yes, sir; I had a long talk with Sir William Beveridge about it. I think he is the greatest living expert in the world on it. He is a director of the School of Economics of London. He invited me to lunch with him, and we spent a whole afternoon talking about it. He said:

If I could only devise some way that could work out practically; I am working on that, to try to include agricultural workers.

Senator BLACK. Hasn't there been a report made by a commission on that subject?

Mr. ELBERT. I do not think that report has come out yet. I have not seen it, and he usually sends me data of that nature.

Senator KING. In a small compact country, with the population congested such as it is in Great Britain, there would be fewer difficulties administratively than you would encounter in a country so broad as ours?

Mr. ELBERT. That is true. If farm hands and domestic servants are included it will lead to a terrific question of administration; it will ruin you. I think farm hands and domestic servants should be left out for the present; and, of course, all Government employees.

In the discussions that I have had with business men and industrialists on the subject of unemployment insurance, one question always comes up, and that is, What will you do with this very large reserve?

Gentlemen, may I say here that when I talk to the Englishmen they all say, "You are not going to have big reserves in this thing." But I do not agree with them. I believe that the combined reserves will eventually amount to a billion dollars or more. The British think we will never reach that amount because they say it will always be squandered by legislation giving increased benefits.

If you use the money to buy bonds or other securities it will cause their prices to rise above their natural market value; and when the time comes to sell them they will be thrown on the market in a time of depression, and accelerate the downward course of prices. If the money is merely deposited in banks it will serve to increase credit expansion in boom times when expansion is not needed, and it will be drawn out in times of depression when its withdrawal will be a further depressing influence on the banks.

That is a question of grave import, and it needs a well-considered answer. My answer is that the reserve funds should be sterilized in some manner, and I suggest this plan. They should be deposited with the Federal Reserve banks, in the various districts; and it should be written in the law that the Treasury Department would be ordered to use these funds for the reduction of any outstanding debts, paying to the fund interest on the basis of that then being paid on such outstanding indebtedness.

For example, if the Government was paying 4 percent on long-term money and, let us say, 2 percent on short-term money, the fund should be credited with 3 percent, or the average between long-term and short-term money. I cannot imagine any valid reason why the bill provides that the Treasury shall pay interest on unemployment funds at a rate equal to the average rate of Government obligations, less one-eighth of 1 percent. Why the deduction of one-eighth of 1 percent? Why should not the Treasury pay as much—on an average—for the use of these funds as it does for any other funds?

Let us assume that the unemployment reserve fund has accumulated \$1,000,000,000, and that the Government's outstanding debt is \$30,000,000,000. I do not see how the Government debt could be considered as reduced if it uses this billion dollars; it would simply be transferring the ownership of its outstanding securities. Obviously, the position of the Government so far as its outstanding indebtedness was concerned would be unchanged.

It would simply insure the safety of these funds at a fair rate of interest consistent with such safety.

This method would also act as a tremendous stabilizing influence and automatically force the central banks to restrict credit in times of booms and expand credit in times of depression.

Senator KING. I do not think we need to worry much about the benefits or evils resulting from large reserves, because we will have none.

Mr. ELBERT. I am hoping that we will if the system is administered properly.

As I was saying, it would expand credit in times of depression and would thereby—to all intents and purposes—be the same as open-market operations. During boom times this method would have a tendency to draw down the reserves of the member banks, inasmuch as the fund would gradually increase, because of more employment, thereby forcing the member banks to call loans and to be more strict in loaning on collateral, and so forth. During times of depression it would force the Federal Reserve banks to convert these bonds into cash, which would be paid out, thereby expanding the credit structure—building up the reserves of the member banks so they could expand credit about nine times.

The "tax remission" device proposed in this bill is open to some valid objections, but I shall not go into them here. I merely want to go on record with the statement that the "Federal subsidy plan" is, in my opinion, the best way to get the excise money back to the States.

Before concluding I would like to make a final suggestion. It seems to me highly inefficient and inadvisable to have the responsibility for this proposed social-security program scattered about among various departments of the Government.

Would it not be the wiser course to create a new department, to be called the "Department of Social Welfare"? This department would include the unemployment-insurance system, the old-age-annuity system, the Public Works Administration, public relief of all kinds, the civil conservation camps, the health service proposed in this bill, and all other forms of social welfare. The head of the department should be a Cabinet officer.

No man can read the future with complete certainty, but I am willing to predict that we shall have the unemployed with us for a long time, and that many so-called "emergency resources" are destined to become permanent fixtures of the Federal administration. We get nowhere by deceiving ourselves. That is why I suggest that we abandon the haphazard method of trying to handle these problems through indiscriminate bureaus.

The whole set-up is in urgent need of coordination and centralization. Obviously, that can be best accomplished by a Department of Social Welfare. Even if the purely emergency measures are found to be unnecessary, in a year or two we would still have in this proposed Department the old-age annuities, the unemployment-insurance system, the health service, and a number of other activities.

One of the important functions of the Department would be to plan public works, housing programs, and so on, for years ahead. Then, in case the index figure of unemployment reaches a certain predetermined high mark, the public-works program could be put into execution without delay, and almost automatically. The undoubted result would be a powerful check on a depression at its inception.

Senator CONNALLY. Let me ask you this: You advocate a Cabinet officer?

Mr. ELBERT. Yes, sir.

Senator CONNALLY. Wouldn't you, then, immediately get it into politics?

Mr. ELBERT. No, sir; no more than any other department. Is there politics in the Navy Department?

Senator CONNALLY. Well, the Navy Department has not got the far-flung organization that this would have.

Mr. ELBERT. Senator, can you get it in any worse politics than it is in now?

Senator CONNALLY. Let me make this suggestion: You want this system absolutely divorced from politics. You pointed out the danger of its becoming a political machine.

Mr. ELBERT. Yes, sir.

Senator CONNALLY. Why wouldn't it be better, instead of having a Cabinet officer, to have some permanent board of overlapping terms? There is nobody as political as a Cabinet officer, because most of them are running for President, and if you establish a Cabinet officer and put him in charge of this, you would certainly open it up to a tremendous political machine, it seems to me.

Mr. ELBERT. Well, it is our form of government.

Senator CONNALLY. It is our form of government to control and manage those agencies and put those agencies where we think they ought to be. We do not have to put them in a Cabinet office. We have not got one for it.

Mr. ELBERT. No, sir; but I think it would be much more efficient and better run and have one source.

Senator CONNALLY. I grant you that. Have a department.

Senator KING. Have a bureau.

Senator CONNALLY. I would rather trust some of these bureaus that stay in all the time than some of these Cabinet fellows.

Mr. ELBERT (interposing). I have suggested boards to manage each function of this, and I have a chart that I would like to submit a little later and showing a board controlling each of these operations and under the direction and head of a Cabinet officer.

Senator CONNALLY. I do not think there is any sanctity about a Cabinet officer. Every time we have a new movement, they demand a Cabinet officer, and it immediately becomes a mere political engine.

Senator WALSH. You stated that it would probably be many years before we could suspend appropriations for public works and relief. Would you be willing to indicate how many years?

Mr. ELBERT. Senator, I could not do that unless I figure out what you gentlemen are going to do and what the President is going to do, and I could make a guess then, perhaps a good guess.

Senator WALSH. Do you think it is necessary for us to continue the present program of excessively large appropriations?

Senator KING. \$4,800,000,000.

Senator CONNALLY. I do not think it is fair to the witness to interrogate him on that.

Mr. ELBERT. Gentlemen, I would like to continue on this.

Senator WALSH. The witness shows some financial knowledge, and I thought I might like to have him hazard an opinion as to when we would be through with that.

Mr. ELBERT. May I say that the idea of a department of social welfare is not merely an off-hand suggestion on my part. I have devoted much time and study to this matter during the past 12 months, and all that I have learned through my investigations lead me to the conviction that a social welfare department ought to be created, and that it should take equal rank with other departments of the Government and that its responsible head should be an officer of the Cabinet.

It would be the most effective remedy for the endless and mystifying confusions that now seem to emanate from the various scattered bureaus. It would lead to a coordination in policy and to efficiency in administration, as well as a reduction of expenses.

Before closing, Mr. Chairman, I would like to respectfully make one more suggestion to the committee and that is that the Federal Emergency Relief Administration should be revised and converted into a permanent National Public Relief Administration of five members, all appointed by the President, with the approval of the Senate.

Senator CONNALLY. Why not a Cabinet officer?

Mr. ELBERT. It would come under the Cabinet officer under my suggested plan.

Two industrialists, two labor men, with a chairman. The purpose of the permanent relief administration is to superintend Federal relief measures. It ought to be entirely separate from the unemployment-insurance system, yet should be under the general direction of the Secretary of Social Welfare.

The purpose of unemployment insurance is to provide a friend for the jobless worker, through his own cooperation and that of his employer. As long as the insurance reserve fund lasts a jobless man who is insured and has not drawn all the weekly benefits coming to him is not destitute.

At the beginning of a major depression the insurance system will act as a dam against the rising tide of distress, but it will not be strong enough to withstand the pressure as the list of the unemployed runs up to seven or eight millions.

What then?

The answer is that when the unemployment-insurance fund can no longer take care of its beneficiaries an organized system of public relief must provide for them. The human material with which public relief will have to deal consists of—

1. Insured workers who have been out of a job so long that they have received the full number of weekly benefits to which they are entitled.

2. Uninsured workers who are not covered by the insurance plan, and who have no resources of their own.

3. People of a higher social grade than manual workers who have lost their income and resources and are not able to get on their feet again.

4. The hopelessly incompetent and unfit who have never done much work, if any, and who are destined to be a permanent burden on society.

Public relief should not precede, but follow, unemployment insurance in carrying out its functions; but in the United States this natural course of things has been turned around, owing to the fact that we have never had any unemployment insurance worth mentioning, and public relief necessarily has to be considered first.

In the course of my studies on this subject I prepared a chart which shows—in rather brief form—the activities of this proposed Department of Social Welfare in the sphere of unemployment insurance, old-age pensions, public works, public relief, and vocational training schools for the unemployed. I am handing a copy of this chart to the committee to be included as a part of my statement.

Senator LONERGAN. I would like to ask the witness a question. Have you recommended the maximum period within a calendar year for the payments, and then the minimum amount to be paid?

Mr. ELBERT. Maximum amounts of payments?

Senator LONERGAN. No; the maximum period for payment within a calendar year and the minimum amount to be paid each week?

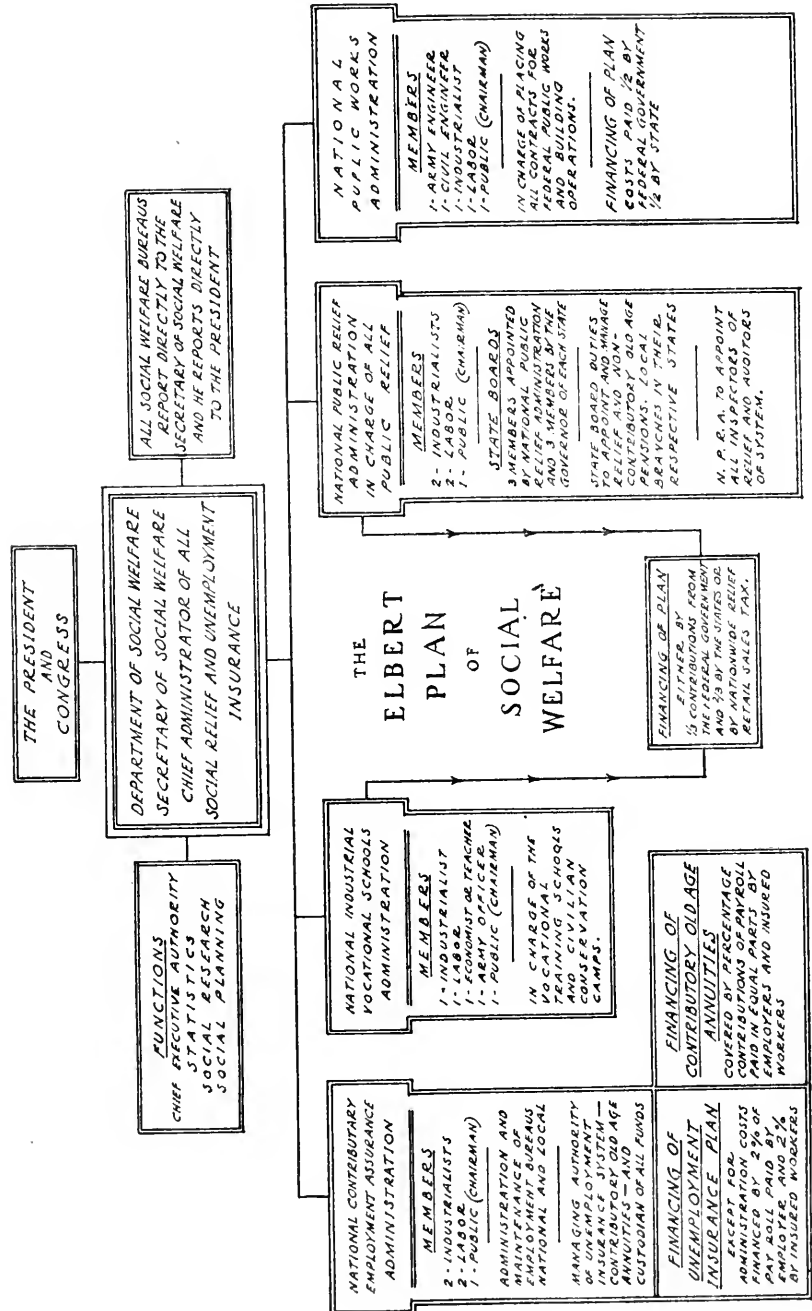
Mr. ELBERT. Yes, sir.

Senator LONERGAN. What is your recommendation on that?

Mr. ELBERT. My recommendation is 26 weeks by the contribution of 2 percent by the employee and 2 percent by the employer. That makes a contribution by each side of 1 week's wages each year. That figured out, taking Government figures for the estimates, I should say it should allow for 26 weeks of benefits to the unemployed.

Senator LONERGAN. And a minimum amount of how much?

Mr. ELBERT. At 35 percent of his income if he is single and up to 55 percent, depending upon the dependents that he has. It is more generous than the plan you gentlemen propose now with 3 percent.



Senator LONERGAN. That is 35 percent of his weekly average earnings.

Mr. ELBERT. Yes, sir; based on that. If in the South it is \$15 a week, and the same amount of labor anywhere else is \$40 a week, it does not matter where you go, you have a stamp book and you are paying on a percentage basis. It is much better, and the book is there as the evidence. Take it for instance as in England—a man that is getting 2 pounds a week as wages and another one getting 5 pounds—they both get the same amount. The insurance benefits do not mean much to the man that gets 5 pounds, it does not mean as much on a percentage basis as it does to the man that gets 2 pounds, so it encourages loafing. He would rather not work. I am opposed to this English plan of paying a flat rate; the benefits ought to vary according to contributions. Is that what you want to know?

Senator LONERGAN. Yes.

Senator BLACK. All of the ideas which you have expressed here are contained in a little book which you have written?

Mr. ELBERT. Yes, sir; except that I have modified them somewhat.

Senator BLACK. Have you put the name of the book in the record?

Mr. ELBERT. Yes, sir; and I would be delighted to send a copy of it to each member of the committee.

Senator CONNALLY. I hope that you will send us your book.

The following report was submitted by Mr. Elbert:

REPORT OF UNEMPLOYMENT INSURANCE COMMITTEE TO THE INDUSTRIAL ADVISORY BOARD

WASHINGTON, D. C., June 18, 1934.

Mr. GEORGE H. MEAD,

Chairman Industrial Advisory Board,

Washington, D. C.

DEAR MR. MEAD: Complying with the request of the Industrial Advisory Board that we act as a committee to make a study of unemployment insurance systems, and submit a plan for consideration of the Board, we respectfully submit the following data.

The report has been somewhat delayed on account of the magnitude and complexity of the subject. In organizing our work we came to the conclusion that the proper method of procedure was to begin at the bottom, without any preconceived convictions, and develop the subject by testing—as far as possible—every element about which there could be the least doubt.

The idea is a new one in America, so we had to proceed without having any tangible body of past American experience to guide us. There has been much difficulty in getting even the census figures properly correlated, as the census has been compiled without any thought of unemployment insurance. But we have been helped greatly by surveys made during the present depression by independent organizations.

We are particularly indebted to Mr. Warren Jay Vinton, director of research of the American Association for Social Security. He has given much time to the committee and has furnished us with a mass of pertinent facts and figures. In the course of our investigation we have consulted most of the leading American authorities on the subject, all of whom have willingly been of service. Among them are Dr. Alvin H. Hansen, professor of economics at the University of Minnesota; Dr. Eveline Burns, of Columbia University; Mr. Abraham Epstein, of the American Association for Old Age Security; and Dr. I. M. Rubinow, the actuary of the Ohio Unemployment Insurance Commission.

Your committee also wishes to express its appreciation of the cooperation of Mr. Albert L. Deane, vice president of the General Motors Acceptance Corporation.

Yours truly,

W. E. WOODWARD,
ROBERT G. ELBERT,
Committee.

PREFACE

Unemployment insurance—or compensation—is so flexible in its mechanism that it may take any one of several different forms. It may take the form of a company plan, each concern considered as a unit, both as to contributions and benefits. Or it may be self-insurance by the members of a trade union; or a State-wide plan, or a national plan under Government supervision.

One of the duties of the committee has been to examine every plan that is sponsored by well-informed people with the object of determining a set of principles on which a scientific and socially useful scheme of unemployment insurance should be based.

We shall say here, in anticipation of what we shall say further on, that our studies of this subject have convinced us that—

1. In any well-conceived plan both the employer and the employee should contribute. The State—or the Nation—should not contribute.

2. It should be compulsory on all workers in insured industries up to a certain wage limit.

3. The benefits should be paid to the unemployed as a right and not as a charity.

4. Benefits to an unemployed worker should be paid only for a definitely fixed number of weeks.

5. Funds should be pooled, including all industries and all employers and workers in the same field.

6. There should be a labor bureau or exchange with numerous branch offices, throughout the country, for the purpose of finding jobs for the unemployed, and for administering the insurance system.

The Government should not be required to contribute for the reason that a large proportion of the people (farmers, for instance) will receive no benefit from the system. Furthermore, the people as a whole will necessarily pay a share of the cost through the slightly increased prices of commodities.

Our calculations have convinced us that 4 percent of the workers' wages will be sufficient to carry on a satisfactory plan; of this, 3 percent to be paid by the employer and 1 percent by the worker.

No plan will be satisfactory, in the end, unless its income is sufficiently large to take care not only of transient unemployment but to set up, also, a body of reserves which may be used in case of serious depressions.

PART I

We shall not take up the time of the Board in discussing the desirability of unemployment insurance of some kind or other. Our appointment as a committee to devise a sound plan presupposes an acceptance of the principles of unemployment compensation.

Unemployment insurance, under any plan whatever, is based on the idea that a reserve fund will be accumulated in normal times to meet the contingency of unemployment in eras of depression. It should also carry the insured over out-of-work periods in normal times. All insurance is necessarily limited in the extent of its compensation. If you die and leave an insurance policy for \$10,000 the insurance company will pay that amount and no more; you cannot expect the company to support your widow and family to the end of their days. The same thing is true of unemployment insurance. It is intended to carry the unemployed worker for a certain length of time, and no longer.

The term "insurance" as applied to unemployment is misleading. There is really no such thing as unemployment insurance if we accept the word "insurance" according to its definition by insurance companies. Insurance can be applied only to future hazards which have an actuarial basis of probability so clearly defined that it is possible to predict their occurrence and extent with reasonable accuracy.

Frederick H. Ecker, president of the Metropolitan Life Insurance Co., says:

"In view of the many and changing causes of employment variation and the fact that such a large proportion of ordinary employment is the result of voluntary human actions, it appears that the application of insurance principles to the individual risk of unemployment is absolutely hopeless."

That is doubtless true; but the principle of "compensation" for unemployment, within certain limits of money and time, is practical and sound. We recommend that the word "insurance", as used in this connection, be dropped and "Unemployment compensation fund" be used instead.

WHAT ARE WE TRYING TO DO?

It is always well to have a definite objective; to know what we are trying to do before we start. Now, as we conceive it, the reserve fund should be accumulated with three objectives:

I. The primary object of unemployment insurance is to afford a guaranteed income to workers when they are unable to find jobs.

(a) In times of general prosperity there is always a certain amount of unemployment due to seasonal variations, technological changes in industry, etc. Unemployment insurance up to 26 weeks will cover practically all individual unemployment during general prosperity.

(b) In times of general depression workers will be guaranteed an income during the first 26 weeks of their unemployment after a waiting period of 4 weeks. Unemployment insurance will not, however, be able to care for the whole problem during a major depression. The proportion of the unemployed receiving benefits will decrease as the depression is prolonged. Those who have exhausted their right to benefit must be cared for by governmental relief in a major depression.

II. In connection with the administration of unemployment insurance a series of labor exchanges will have to be set up. These will, both in good times and bad, serve to bring workers into contact with jobs. They will do much to smooth out and regularize the supply of labor.

III. Unemployment insurance will have an important economic effect in stabilizing industry.

(a) The amounts paid out as benefits will sustain the purchasing power of workers who are without jobs and thus help prevent the disastrous curtailment of consumption which now marks both major and minor depressions.

(b) Under present conditions at the onset of a depression even the workers who have jobs curtail their expenditures for fear of becoming unemployed. If they are guaranteed an income of at least 26-weeks when unemployed, this hectic saving will be much reduced. This will further tend to stabilize consumption, especially at the onset of a depression, and keep it from developing as far as it otherwise would.

(c) Premiums are to be paid by industry and by the workers during good times and saved for consumption purposes in bad times. If investment is carefully made the effect of these funds will be to somewhat reduce consumption in good times and expand it in bad times and thus aid in smoothing out the business cycle.

(d) If a system of unemployment insurance is in effect production can be immediately curtailed at the beginning of a depression without too much hardship on the workers. At the beginning of the present depression President Hoover for humanitarian reasons urged industry to avoid laying off men. As a result overproduction was continued, and the conditions which led to the depression were not corrected quickly enough. Had unemployment insurance been in force, production could at once have been curtailed, while at the same time the unemployed workers would have received some income and have continued consuming more or less normally. The depression would have been of much shorter duration with a more rapid return to economic balance, provided the Federal Reserve banks had cooperated efficiently by open-market operations and other means within their power.

PART II

THE PLAN WE PROPOSE

We have drafted this plan as a Federal measure, but we are aware of its possible unconstitutionality. In case it is considered unconstitutional we recommend that similar standards be required from the States to qualify under the Wagner-Lewis bill.

Compulsory and national.—The plan should apply to the whole country uniformly; and every employer and worker who falls within its provisions ought to be made to go into it.

Coverage includes.—All employees in industrial and manufacturing establishments that employ three or more people.

All transportation systems: Railroads, busses, street railways, steamship lines; and also all systems of communication, such as telegraph, telephone, and radio.

All workers in mines.

All workers in forestry (except those employed by the Government), such as timber-cutters, if three or more are hired by one employer. All workers in fisheries, etc.

All clerical labor in establishments where three or more persons are employed.
 All workers in stores, wholesale and retail, if three or more persons are employed.
Coverage excludes.—Farm laborers, domestic servants, but not servants in hotels and restaurants.

Professional people, such as physicians, lawyers, engineers. But it should not exclude their employees.

All employees of the Federal, State, county, and city governments, except in cases where the major portion of the income of the individual comes from an employer other than the government, in an establishment that employs three or more people. Casual workers for the government should not be excluded.

School teachers in public schools, but not those in private schools operated for profit.

The near relatives of the proprietor or manager in any business, such as sons and daughters, brothers, sisters, nephews, and nieces.

Contributions.—Four percent of the total pay roll (of those on the pay roll entitled to protection under this plan), of which 3 percent is to be paid by the employer and 1 percent by the worker. The contributions are to be sent to the treasurer of the unemployment compensation fund and pooled into one large reserve.

Eligibility.—Any insurable person who has worked 100 days in the past 52 weeks, or 160 days in the past 104 weeks, is qualified for benefits.

The weekly payment of benefits should be limited on the ratio of 1 week's benefit to 3 weeks of insured employment during the past 2 years; that is, 1 weekly benefit payment to every 3 weeks of work, but in no case should the weekly benefit payments exceed 26 in 1 year.

The idea here is to restrict the benefits that would be received by idlers who merely work enough to qualify for unemployment insurance. A man who has worked less than 100 days in the past year, or 160 days in the past 2 years, gets nothing.

The real worker, who works right along, can get 26 weekly payments when out of a job.

The time a man has worked in the past year (or 2 years) is not to be counted by weeks, but by days. The requisite 100 days of employment may run along 2 or 3 days a week instead of being 5 days a week for 20 weeks.

Waiting period.—An employee who loses his job must report within 3 days to the local Federal employment office. In the cities this will be a regularly equipped office with a manager whose whole time is given to the matter of looking for jobs for the unemployed. In smaller places some other arrangement will have to be made; the employment official might well be the postmaster.

The unemployed worker's name is registered and an effort is made to get him a job, and he is expected to look for one himself. He should report three times a week to the unemployment office.

He does not get any unemployment benefits until he has been out of work for 4 weeks. Prof. Paul H. Douglas, who has made extensive first-hand studies of unemployment, says that even in normal times 5 to 10 percent of the total number of wage earners are out of employment; but he says, more than half of them find jobs in less than 4 weeks. By making the waiting period 4, instead of 2 weeks, funds are conserved for the more serious cases of unemployment.

After a waiting period of 4 weeks an insured person goes on the benefit pay roll. He continues to report to the unemployment office three times a week.

The waiting period of those who are discharged for misconduct should be extended to 8 weeks. Then they should be on the same basis as others who are unemployed. An employee who quits his job voluntarily ought to be made to wait for 8 weeks also.

Amount of benefits.—The weekly benefit should be varied according to the number of dependents of the jobless worker. We propose this scale, tentatively:

	Percent of weekly wage
Adult, without dependents.....	40
Adult, with 1 dependent.....	50
Adult, with 2 dependents.....	60
Adult, with 3 or more dependents.....	65
Young men and girls, under 21, who live with their parents, and whose parents are not dependent on them.....	30

The benefits paid to an adult (out of a job and qualifying) who has earned \$30 a week would vary from \$12 a week—if he is unmarried and without dependents—to \$21 a week if he has a wife (also unemployed) and two or more children.

A stenographer who has been employed at \$20 a week in an office and who lives with her parents (not dependent on her) would receive 30 percent of her former pay, or \$6 a week.

In calculating former wages on which to base the benefits the weekly salary or wages of the last 6 months should be averaged.

Most of the plans that we have studied have a top limit of salary or wages for insurable persons. It seems to us that anyone earning up to \$60 should be included; indeed, we think it would be better to take in anyone earning any amount as wages or salary, as long as they were taken in on a \$60-a-week basis. Why not include a man who gets \$100 a week, but let him make his contributions on a \$60-a-week basis, and receive benefits on the same scale when he is out of work? The inclusion of anyone earning more than \$60 a week would, of course, be voluntary.

No benefits should be paid until the plan has been in operation 1 year.

COMMENTS

Now, the question arises as to how much the 3-percent tax on the pay roll would increase the cost of goods to the consumer. It is extremely difficult, if not impossible, to say, on account of the lack of data. The raw materials used in some establishments go through three, or four, or even more processes in other establishments before they are assembled for final completion.

As a working basis we may take the relation of labor costs in manufacturing to value of product for the year 1929, as given out by the Census Bureau.

(The following figures cover "manufacturing" only, and are taken because the census gives the value of the product. The number of persons employed in manufacturing and mechanical industries is much larger, about 14,000,000.)

Wage earners in manufacturing establishments.....	8, 838, 743
Wages paid during year.....	\$11, 620, 973. 254
Cost of materials.....	38, 549, 579. 732
Value of products.....	70, 434, 863, 443

It appears that the relation of wage-cost to value of product over the whole field of manufacturing is 16.5 percent. The average yearly wage is \$1,314.80. (The average wage would undoubtedly be lower for 1933, and the proportionate labor cost, in relation to value of product, would be higher.)

Three percent of the total sum of wages is \$348,626,196. Compare this with the value of the completed product, and we see that the relation of unemployment compensation cost, paid by the employer, is 0.48 percent (forty-eight hundredths of 1 percent).

That is not all, however. There are the materials and some of them were created, or handled, by insurable labor, and that charge must be added. We can only guess, but as a guess we may say that the increased cost of materials owing to unemployment contributions may be one-half as much, or 0.24 percent. These two charges together make 0.72 percent. Then comes the transportation of the finished product, and its sale. These operations may add another 0.24 percent. The total comes to 0.96 percent, which we think (as a guess) is somewhere close to being correct. By that we mean it would be correct for the whole assembly of industries—undoubtedly so, if the census figures are right—but there would be, nevertheless, great variations.

Some of the variations are shown in the following list:

Percentage cost of labor to value of product

	<i>Percent</i>
Boots and shoes (not rubber).....	22. 0
Iron and steel products (not including machinery).....	19. 2
Printing, publishing, and allied industries.....	19. 8
Textiles.....	18. 8
Rubber products.....	17. 2
Motor vehicles.....	9. 9
Chemicals and allied products.....	9. 3
Fertilizers.....	7. 9
Cigars and cigarettes.....	7. 8
Paints and varnishes.....	7. 4
Products of petroleum and coal.....	6. 2
Sugar refining (cane sugar).....	3. 5

There are individual variations that are remarkable. For instance, in 1929 the entire electrical industry produced goods valued at \$2,300,916,000 and paid \$456,000,000 in wages. The labor cost—in comparison to product value—was 19.8 percent.

That same year the General Electric Co.'s labor cost (including wages and salaries) amounted to 38.8 percent of the value of the company's product.

For the past 3 years the reports of the General Electric Co. give these figures:

	Net sales	Wages and salaries
1931.....	\$263, 275, 000	\$106, 656, 000
1932.....	147, 162, 000	61, 414, 000
1933.....	136, 637, 000	55, 287, 000
Total.....	547, 074, 000	223, 357, 000

It is not possible to differentiate between salaries and wages, as they are both considered as one item in the company's annual reports, but the total outlay for labor amounts to 41 percent, as compared with the value of the product. Even if we assume that one-fourth of the total expenditure should be put under the head of salaries the remainder, given to wages, is far in excess of the usual average percentage.

This example is brought in here for the purpose of showing the difficulty of ascertaining the cost of wages in proportion to product except by taking industry as a whole.

A tax of 3 percent for unemployment compensation would certainly make little difference to a sugar refiner, whose labor cost figures out only 3.5 percent of the value of his product; but it would be a matter of some importance to the General Electric Co. where the labor cost is as high as 30 percent or more.

NUMBER OF WORKERS UNDER THE PLAN

How many workers will be covered by insurance under this plan? Our estimate is that about 22,000,000 people are insurable, and of course all of them will be included under a compulsory scheme. The average wage seems, according to our data, to be about \$20 a week, or a total of \$440,000,000 weekly.

Let us assume, then, that 22,000,000 are insured under this plan, and that in normal times 6 percent of them, say 1,320,000, are unemployed.

Not more than 4 percent, or 880,000, of the unemployed will be entitled to benefits in normal times—owing to the 4 weeks' waiting period. Two percent of them, at least, will be provided with jobs before the 4 weeks have passed. The average benefit will probably be \$12 a week. It should be understood that all this is guesswork. It is as intelligent a guess as we are able to make, with the data at hand.

Weekly contribution from 22 millions at \$20 a week or 440 million dollars in all, at 4 percent.....	\$17, 600, 000
Paid out to 880,000 unemployed weekly at \$12 a week.....	10, 560, 000
Added to reserve—weekly.....	\$7, 040, 000
Annual addition to reserve.....	366, 080, 000

In five good years, while industry is moving upward, the reserve ought to accumulate about \$1,800,000,000.

A sensible plan should be devised to take care of this large money reserve. If deposited in banks it will lead to inflation. Investment in securities is not advisable, in our opinion, for the reason that an investment of this proportion will unduly raise their prices in normal times, when prices are going up, anyway; and in the downward turn of the industrial cycle the selling of these stocks and bonds (to provide funds for unemployment benefits) will have a depressing effect.

The fund might be deposited in the Federal Reserve under a special arrangement whereby it would be sterilized and not used for credit expansion.

Another way of managing the fund would be to invest it in a special issue of Federal Government bonds, paying (let us say) 2 percent. These bonds should be sold to the unemployed compensation fund, and be nontransferable; and the Treasury should redeem them on demand.

Employment offices

One of the vitally important factors in this proposed system is a nationally coordinated network of labor exchanges or employment offices. All the unemployed who are covered by insurance will be registered. The employment system will be in constant contact with the labor situation, with the flow of supply and demand. Needless to say, this would tend to reduce unemployment, and to shorten the period of being without work from months to weeks, and from weeks to days.

Mr. Ralph E. Flanders says, in an illuminating paper on unemployment, which he read at the Hot Springs meeting of the board: "To this institution (the employment office) must go every one who would draw on his unemployment reserve and every one who seeks subsistence employment. It should also serve as the logical (though not exclusive) recruiting station for labor required on great construction works, whether private or public.

"Such a system would give us definite information at any given moment as to the amount, location, kind, and duration of unemployment. For no one should be deemed as unemployed who does not register. Registration will be inevitable on the part of the honest and needy worker, for due and respectable relief comes to him through that act. Nonworkers who will not apply are pathological or criminal rather than economic problems. They will by this means be readily recognized and should not be numbered among the respectable unemployed. This system will give us, for the first time, a definite knowledge of the size and character of our problem and we can attack its solution by logical process. Our ignorance hitherto has been fundamental. There are no reliable unemployment statistics in this country. There is no substitute for the practice of gathering them at the point where relief is offered."

FEDERAL LAW

It seems to us that it would be much better for any plan of unemployment insurance to be Federal rather than State.

But in case the Constitution makes it impossible to have a Federal law we think the present plan might be made an amendment to the Wagner-Lewis bill. The bill, as it now reads, provides certain conditions with which a State must comply in order to have its excise tax refunded. The conditions are that the State sets up employment insurance and the Wagner-Lewis bill insists that certain features be adopted in the insurance scheme.

The entire plan which we have outlined here might be included in the bill as an amendment, as a condition with which the States must comply to get their money back.

In that case the excise tax of 5 percent (according to the Wagner-Lewis bill) would be brought down to 3 percent, and an amendment to that effect would be necessary.

THE BRITISH SYSTEM

Unemployment insurance on a large scale began in Great Britain. The British unemployment insurance system is credited by English economists with being one of the most potent factors in keeping up the buying power of the Nation during the years of depression. The Royal Commission on Unemployment Insurance, after an exhaustive study in 1932, said in this connection:

"Since 1929 * * * unemployment in this country, although worse, has not increased to the extent and in the degree that it has in the United States and other countries. This difference may in part be due to the maintenance of working class spending by unemployment relief, when spending generally was contracting and investment in new enterprises drying up. * * * One of the advantages of self-supporting insurance scheme is that if properly controlled it accumulates reserves when spending is active and employment is good, to disburse them automatically at the time when trade is depressed and spending needs to be stimulated in order to give employment." (Final Report, p. 103.)

Unemployment insurance in Great Britain was started in July 1912, and applied to a limited number of industries. In 1920 it was extended to practically its present coverage. In the beginning the system more than paid its way, and at the commencement of 1921 had a reserve of over £22,000,000. In 1921, due to the extensive unemployment, it was decided to pay not only the regular benefits but also so-called extended benefits to workers who had exhausted their right to benefit. These extended benefits should never have been paid out of the insurance scheme, for the premiums had not been arranged to provide for them. As a

result of this mistaken policy the British system ran a large deficit for a number of years.

In 1931 it was finally decided to treat extended benefits as relief rather than insurance. They are still administered by the unemployment insurance offices, but are paid only to those in need, and their entire cost is borne by the exchequer. As a result, the British system is now self-sustaining despite the extended unemployment in that country. The results of the system in 1933 and for the first four months of 1934 are as follows:

	1933	1934, Jan. 1- Apr. 28
Receipts for premiums.....	£58,835,000	£19,596,000
Disbursements:		
Benefit payments.....	43,335,000	12,592,000
Administrative cost.....	3,797,000	1,263,000
Interest on old deficit.....	5,338,000	1,643,000
Miscellaneous.....	240,000	97,000
Total disbursements from insurance fund.....	52,710,000	15,595,000
Extended benefit, paid by the Exchequer.....	54,310,000	16,310,000

Note that the British system is paying interest on the advances made by the Exchequer, and expects to liquidate this debt.

The British system is compulsory and covers all manual workers and all non-manual workers receiving less than £250 per year. The following occupations are excluded: Agricultural workers, domestic servants, permanent employees on the railways and public utilities, certain classes of government employees, and persons employed by their husbands or wives.

Equal premiums are paid by the employer, by the worker and by the government. The weekly rates prevailing today in American money (at present exchange, £1=\$5.04) are as follows:

	Men	Women
	<i>Cents</i>	<i>Cents</i>
Employer.....	21	18.9
Worker.....	21	18.9
Government.....	21	18.9
Total.....	63	56.7

Lower rates are paid by boys and girls under 21 years of age.

Benefits are limited to 156 days. The following are the present weekly rates of benefit in American money:

	<i>Weekly rate</i>
Men 21 to 65 years.....	\$3. 81
Women 21 to 65 years.....	3. 40
Additional benefit for dependents—	
For an adult dependent.....	2. 02
For a dependent child.....	. 51

Lower benefits are paid to boys and girls under 21 years of age.

Workers are qualified for benefits when premiums in respect to them have been paid for not less than 30 weeks in the preceding 2 years. Benefits begin after a waiting period of 6 days. In the case of workers who have lost their employment through misconduct or voluntary quitting the waiting period is increased to 6 weeks. No benefits are paid for loss of employment during a trade dispute in the worker's own establishment.

THE GERMAN SYSTEM

The facts concerning the German system are not quite up to date, but we give what we have.

The German insurance system was started on October 1, 1927. It includes two kinds of benefits: (a) Regular benefits which are paid out of the premiums of the workers and their employers; and (b) emergency benefits which are paid by the Government, and which are for those who have exhausted their right to

regular benefit. In the first years of the system contributions were set at too low a rate and, as a result the system ran up a large deficit. At the present time, due to the increased rate of premium and to the fact that a very large percent of the unemployed have exhausted their right to regular benefits, the regular system is much more than self-sustaining. Its surplus is now being used to aid in the payment of emergency benefits.

The German system, like the English, is compulsory. Its coverage is now similar to that of the English system. Agricultural workers and domestics were formerly covered, but have recently been excluded. Manual workers earning over 3,600 marks per year and nonmanual workers earning over 8,400 marks per year are excluded.

Unlike the English system, both premiums and benefits vary with the worker's earnings. For this purpose all workers are divided into 11 wage groups, and for each group a basic wage is set.

Premiums are shared equally by the workers and employers, each paying $3\frac{1}{4}$ percent of the basic wage, making a total of $6\frac{1}{2}$ percent. No premiums are paid by the Government for regular insurance, its contribution being limited to the cost of emergency benefits.

Regular benefits are limited to 20 weeks. The benefits vary according to the wage class of the worker and are set at varying percents of the basic wage. The lowest-paid workers, those in class I, receive 75 percent of the basic wage, and the percentage decreases until in class XI the highest-paid workers receive 35 percent of the basic wage. There are additional allowances for dependents.

Workers are qualified for benefit after 52 weeks' employment in the previous 2 years. The waiting period is 14 days for workers with no dependents, 7 days for those with 1 to 3 dependents, and 3 days for those with 4 or more dependents.

Emergency benefits, financed by the Government are paid only to those in need. Their duration has been repeatedly changed and varies for different classes of persons.

Because of the great length and severity of the depression in Germany regular insurance benefits paid out of premiums have taken care of only a small fraction of the unemployed. The remainder have been forced to rely on emergency benefits paid by the Government and on poor relief paid by the local authorities.

PART III

THE WISCONSIN PLAN

Wisconsin is the only State in which an unemployment insurance law has been enacted. It will go into effect on July 1, 1934. Following is a skeleton outline of the Wisconsin plan:

Covers workers in establishments employing 10 or more persons, also all workers whose wage is not more than \$1,500 a year. All that is needed to qualify for benefit payments is that the worker has been employed for 2 weeks, but the benefit is limited to one weekly benefit for each 4 weeks of employment—and not more than 10 weeks of benefit as a maximum.

Excludes domestic servants, public officers, farm laborers, interstate railroad employees, school teachers.

Fund is contributed by employers only. Workers pay nothing. Employers pay 2 percent of pay roll until a fund of \$55 a worker has been established; thereafter 1 percent until the fund (for that one corporation or concern) amounts to \$75 a worker. After that nobody contributes anything until—and if—the reserve falls below \$75 a worker.

Segregation of funds under the names of the contributors, though all the funds are administered by the State industrial commission. This means that a worker on the benefit register must depend on the fund contributed by his employer. Whenever that is exhausted he receives no more benefits.

Waiting period is 2 weeks. That is, a worker who is laid off gets no benefit for 2 weeks thereafter.

Benefits are \$10 a week or 50 percent of average weekly wage, whichever is lower. That is to say, if an employee has a \$29-a-week salary (the high limit under the plan), and is laid off, his weekly benefit will be \$10 instead of \$14.50. If the employer's fund is unable to meet these payments they may be reduced. All factory workers who have worked 2 weeks and all salaried employees who have worked 1 month are covered.

Maximum duration of benefits is 10 weeks in 1 year, but no benefit shall be paid out of an employer's fund if the worker has not been employed by him during the past 6 months.

Eligibility.—If a man quits his job voluntarily he is not entitled to the benefits. No payment when a man is discharged for misconduct or inefficiency nor when he refuses to accept "suitable employment" after losing his job; but it is provided that the beneficiary has a right to refuse a new job if the wages, hours, and conditions are not those prevailing in similar work in the locality.

Exemptions.—Companies which guarantee 42 weeks employment in a year to their workers are exempted from payments. Also concerns which have a plan of their own that is approved by the State industrial commission.

DR. HANSEN'S OPINION

Dr. Alvin H. Hansen, professor of economics in the University of Minnesota, has made a detailed study of the Wisconsin plan, and of the motives of its creators. He says:

"It was the primary purpose of the Wisconsin bill to serve as an incentive for stabilization of employment rather than to serve as a means of alleviating unemployment.

"It provides that when an employer has built up a reserve of \$55 per employee his contributions may be reduced to 1 percent, and may cease when the reserve reaches \$75 per employee. Having once built up this reserve, the cost to the employer would be in direct proportion to the stability of his employment.

"It was recognized that the small benefit of a maximum of \$10 a week for 10 weeks would go only a little way toward relieving the distress growing out of unemployment, but it was believed that the establishment of company reserves would be an effective means of causing the employer to stabilize employment.

COMMENTS ON THE WISCONSIN PLAN

We consider the segregation of reserves by companies, as embodied in the Wisconsin plan, a fundamental defect. We are opposed to any form of segregation of funds or of benefits, either by companies, industries, or associations.

Unemployment compensation is, primarily, a social service. It does not make a bit of difference, as far as the social order is concerned, who employed a man before he got out of a job.

We advocate the pooling of all unemployment funds—the benefits to be paid out of a common reserve.

As to the pooling of reserves, a study of the records of 14 Ohio concerns from 1923 to 1931 was used in estimating the cost of an individual establishment unemployment plan. The estimated costs for the different companies varied from 0.3 to 3.4 percent of pay roll. Another estimate showed a variation in cost from 0.5 to 6.7 percent. If contributions of 3 percent had been required, 8 out of the 14 companies would have been unable to pay full benefits if they had held their funds in separate reserves. On the other hand, if the contributions had been pooled the average cost would have been only 2.5 percent. The required benefits could have been paid and the fund would have remained solvent.

It seems to us that some method might be devised for the grading of industrial concerns in respect to the permanency of employment in their plants. To grade them in classes, such as A, B, C, and D would be a simple matter of statistics. One company employing 1,000 workers at the beginning of last year, let us say, laid off or discharged—for one reason or another—100 workers in the course of the year. Its labor turn-over (or its loss of employing power) was 10 percent. Another company, in the same line of industry, had 1,000 employees and laid off or discharged 500 of them, or 50 percent.

It may be possible to grade them in this way and set up a varying scale of payments into the fund, starting off with 1 percent—or some other small percentage—for class A, and up as high as 4 percent for class D.

The Ohio Commission on Unemployment recommended the creation of a State pooled insurance fund. However, because of the variations in the rate of unemployment in different establishments, it provided that after a plan had been in operation for 3 years, the contributions should be varied for each employer within the limits of 1 percent and 3.5 percent of pay roll.

The Wisconsin law declares that no benefits shall be paid to a worker who is discharged "for misconduct." We do not approve of this provision because it will certainly lead to grave abuses.

Misconduct is a vague term; a charge of misconduct can be brought up against almost anybody. This provision will certainly be held as a whip over workers that the employer does not like. In many cases labor union officials will be dismissed for "misconduct" without hope of unemployment compensation.

It would be better, in our judgment, merely to increase the waiting period, in case of discharge for misconduct, from 2 weeks to 4 or 5 weeks. In England it is raised from 1 week to 6 weeks when a worker is discharged for misconduct. That ought to be sufficient penalty.

THE WAGNER-LEWIS BILL

This measure is now before Congress. All the members of the Board are no doubt familiar with its provisions, so we shall set down here only the barest outline as a matter of record.

It is proposed to levy a Federal excise tax of 5 percent on employers' pay rolls throughout the United States on employers who have 10 persons or more in their employ. In paying the tax the employer may omit the wages of:

1. Agricultural laborers.
2. Domestic servants.
3. Teachers in schools, colleges, and universities.
4. Physicians, surgeons, hospital attendants, etc.
5. Physically handicapped people employed by charitable institutions.
6. Wife, children, father and mother of the employer.
7. All employees of common carriers.
8. Any employee for whom unemployment compensation is provided directly by act of Congress.
9. All persons who earn \$250 or more a month.

The 5 percent excise tax where collected will go into the Federal Treasury. Employers in States with approved systems of unemployment insurance will be entitled to a rebate on the tax equal to their contributions to the State system.

Employers in Wisconsin, for example, will pay 5 percent of their pay rolls to the Federal Government (if Senator Wagner's bill becomes a law), less the 2 percent they shall be assessed under the Wisconsin law; in short, they will pay 3 percent to the United States and 2 percent to Wisconsin.

The State to qualify must set up an unemployment insurance law, requiring contributions from employers. Every employer who pays a contribution under the State law is entitled to credit the amount of that contribution against the Federal excise tax levied under the Wagner Act.

The purpose of the bill is to encourage State action, and it will probably do it, as all States will naturally pass an unemployment insurance law merely to keep the money at home, if nothing else.

Note that the Wagner bill says nothing about contributions from the worker. The bill sets forth some few specifications for an unemployment law to be passed by the States, and which will be acceptable, but we think the specifications are inadequate.

Eligibility.—It specifies that an applicant for benefits need not show a record of having worked for more than 10 weeks for his last employer in the past calendar year.

Benefits.—Seven dollars or more a week, as a minimum, or else the employee's average wages for 20 hours of a week. (This, in most cases, would mean half his weekly wage.) Benefits are to continue for 10 weeks, generally speaking. There is a complicated provision which permits employees of long service to receive 15 weekly benefits.

No employee receiving benefit payments shall be required to act as a strike-breaker; or to accept new employment if the wages, hours, and other conditions are less favorable than those prevailing for similar work in the locality; or if acceptance of such employment would either require him to join a company union or interfere with his "joining or retaining membership in any bona fide labor organization."

COMMENTS ON THE WAGNER-LEWIS BILL

We are opposed to the 5-percent tax; it is unnecessarily high. Our own calculations lead us to a conviction that 4 percent is quite enough, and of that the worker should pay 1 percent, leaving 3 percent to be paid by the employer.

This committee is not in favor of any plan to which the worker does not contribute something. All European systems require worker contributions. The employee ought to be sufficiently interested in his own welfare to contribute a part. Besides, his payments would increase his self-respect and dignity. He would realize that he had done his share instead of being a passive recipient of the benefits as a gift.

It is possible that some of the States—in case the Wagner-Lewis bill becomes a law—may put into effect an unemployment-insurance plan which will call for contributions from the worker; but even in that case, the employer would have to pay his 5 percent just the same. It seems to us that Senator Wagner's bill might be amended so as to require all State systems to provide for workers' contributions.

The American Federation of Labor is strongly opposed to any contribution from employees, and no doubt that influenced Senator Wagner in drawing his bill. In England the British Trade Union Council was also against the inclusion of workers' payments, but they consented to it eventually.

Respectfully submitted.

W. E. WOODWARD,
ROBERT G. ELBERT,
Committee.

PART IV

A number of industrial concerns have unemployment-insurance plans of their own. Some of the trade unions have also put in operation various schemes to relieve their unemployed members. These have worked out with varying degrees of success. Most of the trade-union plans have no fixed scale of contributions or of benefits. They assess their members from time to time for whatever is needed in the way of funds.

APPENDIX A. THE GENERAL ELECTRIC CO.

In 1930 the General Electric Co. devised a plan for employment assurance to apply to the plants or departments manufacturing incandescent lamps. It was not unemployment insurance at all, but a guaranty of employment. It began on January 1, 1931. Under the plan 50 weeks' work of not less than 30 hours each week was proposed for 1931. All employees with 2 or more years of service were eligible.

When an employee goes into this plan he agrees that the company withhold 1 percent of his weekly earnings; the amount withheld is credited to him, with 5-percent interest. If he leaves the employ of the company, principal and interest are given to him; if he dies, his heirs get the money.

The General Electric Co. has, in addition, a plan of unemployment insurance which is operating, but not in the incandescent-lamp department. Mr. Swope said, on March 25, 1934, in his testimony before the Subcommittee of the Ways and Means Committee of the House:

"The results have been highly satisfactory. Since the plan's adoption in June 1930 normal contributions, half by the employees and half by the company, with interest, amounted to almost \$400,000, and is retained in a trust fund. The emergency provisions of the plan went into effect December 1, 1930.

"From that date to March 1, 1934, \$4,877,000 was contributed. Of this amount—and I want you to get these figures, because it seems to me these are very significant—of this total amount of almost \$5,000,000, approximately \$1,160,000 was contributed by the people who are eligible to benefits, and \$1,151,000 from other employees who are not eligible, and \$2,311,000 from the company; \$3,561,000 has been disbursed, leaving an unexpended balance of \$1,316,000 in the unemployment emergency fund on March 1, 1934. The plan is still functioning."

The contributions are about 1 percent from employees and the same amount from the company. There is a curious provision in respect to an "unemployment emergency." In the event of an unemployment emergency 1 percent of everybody's salary is taken, no matter whether he is in the insurance system or not—everybody's salary, from Mr. Swope down. These contributions have made a very material addition to the fund.

The experiences of the General Electric Co. are interesting, but we do not think they contribute a great deal toward the formulation of a Nation-wide plan of unemployment insurance. The company is in a strong financial position; it is excellently managed; its employees are above the ordinary level of manual workers in intelligence, thrift, and steadiness. In short, the General Electric Co. is not a typical industrial concern. A Nation-wide plan must include all sorts of establishments and workers of every grade.

Mr. Swope advocates the segregation of insurance funds by companies; that is, each concern to do its own insuring, in combination with its employees. His own experience shows that it works out very well with his own company, but would it not turn out badly in the case of most concerns?

APPENDIX B. DENNISON MANUFACTURING CO.

One of the earliest of company plans of unemployment insurance is that of the Dennison Manufacturing Co. The company started it in 1916. It has been financed entirely by the company, which has made contributions to the fund from time to time.

The characteristics of this plan are: 1. Only permanent employees benefit. 2. A permanent employee is one who has had 6 months' continuous service with the company. 3. Unemployed persons, without dependents, receive 50 percent of their normal pay (but not more than \$18 nor less than \$8); employees with dependents receive 70 percent of their normal pay (but not more than \$24 a week nor less than \$8). 4. The plan is administered by an unemployment-relief committee; half of the members are appointed by the company and half are elected by the employees.

In 1929 the total pay roll was \$3,780,000 and the total benefits paid were \$10,646. In 1930, with a pay roll of \$3,308,000, the benefits ran up sharply to \$58,325. Since then it has been necessary to lay off an unusually large number of employees. By June 1932 the fund had been reduced to about \$15,000. It was decided then to withhold payments until fall, as it was felt they would be of more value during the winter months.

In the fall of 1932, when the matter was again considered, it was the recommendation of the works committee that payments be indefinitely suspended and be resumed upon 2 weeks' notice from the works committee. Since that time the fund has been entirely inactive.

One of the defects of the Dennison plan is the irregular method of financing. It started off with a fund of \$147,000 in 1919, and only a few contributions have been made since, in irregular amounts. It would have been better, in all probability, if the company's contributions to the fund had borne some definite relation to the annual pay roll.

The whole scheme, though bearing witness to the company's generosity, is quite unscientific as a plan of unemployment insurance.

APPENDIX C. THE SOCIAL SECURITY BILL

The American Association for Social Security has prepared a model bill similar to that of the Ohio Commission. This was drafted in the summer of 1933 by a committee of experts including two of those who prepared the Ohio bill. It is based on the principle of a state pooled fund.

Coverage.—Employees of establishments having three or more employees, including employees of the State or political subdivisions thereof. Excludes nonmanual workers with salaries of \$3,000 per year or more; farm laborers; domestic servants where less than two are kept; workers in interstate commerce; Government employees and teachers on an annual salary basis; and the spouse, parent, or child of the employer.

Premiums.—Employers, 2 percent of pay rolls, subject to adjustment after 3 years. Workers, 1 percent of wages; State, 1 percent.

Adjustment of employers' premiums.—After 3 years' experience the employers' premiums are to be adjusted with respect to the hazards of unemployment in the various establishments. No premiums are to be less than 1 percent nor more than 4 percent of pay rolls. There is to be no adjustment of workers' or State premiums.

Benefits for total unemployment.—Single worker, 40 percent of full-time wages not to exceed \$10 per week. Additional or dependent spouse 10 percent of wages, not to exceed \$2.50 per week. If one dependent child, an additional 5 percent of wages, not to exceed \$1.25 or if two or more dependent children, an additional 10 percent of wages, not to exceed \$2.50.

Benefits for partial unemployment.—When the loss of wages in partial unemployment exceeds 20 percent of full-time wages, benefits are paid equal to 50 percent of the loss in excess of said 20 percent, plus supplements for dependents. This benefit scale is designed to encourage the acceptance of partial employment. The total of earnings and benefits during partial employment always exceeds the benefit for total unemployment and always increases as the percentage of employment increases.

Duration of benefits.—In any consecutive 52 weeks the total benefits shall not exceed 26 times the benefit for 1 week of total unemployment. After exhaustion of benefits, no further benefit shall be paid until the worker has had 60 days of unemployment and also satisfies the qualifications mentioned in the next paragraph.

Qualifications for benefit.—To be entitled to benefits a worker must have had 104 days of insured employment within the preceding 12 months, or (alternatively) 160 days of insured employment in the preceding 24 months. No benefits are paid during a strike or lockout.

Waiting period.—No benefits are paid until the wage loss equals 4 weeks full-time wages. Such loss need not be consecutive but may be accumulated over a 12-month period. Only such waiting period shall be required in any 12 months. The waiting period is doubled for an employee who has lost his employment for misconduct or has voluntarily quit without just cause.

Seasonal industries.—In seasonal industries the right to benefit shall apply only to the longest seasonal period which the best practice of such industry will reasonably permit. The commission is to determine such seasonal period and fix the proportionate number of weeks required for qualification and the proportionate number of weeks for which benefits may be paid.

Insurance fund.—All contributions are pooled in one fund from which benefits, the expenses of administration, and the cost of free public employment bureaus are to be paid.

Administration.—An unemployment insurance commission of three members is provided to administer the system. There is also to be a State advisory council of nine members. District offices, if necessary, and local free employment offices are provided. Appeals from decisions of local managers may be taken to district appeal boards and then to the commission. Only when questions of law are involved can an appeal be taken to the courts.

Comments

The benefits are quite small.

The provision for paying benefits on account of part-time employment is worth considering, though we are not prepared at present to endorse it.

APPENDIX D. THE OHIO COMMISSION BILL

The General Assembly of Ohio, on April 9, 1931, created an unemployment insurance commission, whose nine members were appointed by the Governor. This commission reported on October 26, 1932. Their report includes a thorough survey of the entire question and actuarial estimates on the cost of unemployment insurance.

The commission drafted a bill based on the principle of a State pooled fund. This bill was introduced in the legislature in 1933 and was passed by the house but failed of passage in the senate.

Coverage.—Employees of establishments having three or more employees. Excludes nonmanual workers with salaries of \$2,000 per year or more; farm laborers; domestic servants; workers in interstate commerce; Government employees; and short-time or casual laborers for a period of less than 4 weeks.

Premiums.—Employers, 2 percent of pay rolls, subject to adjustment after 3 years. Workers, 1 percent. No State contribution.

Adjustment of employers' premiums.—After 3 years' experience, employers' premiums are to be adjusted with respect to the hazards of unemployment in the various establishments. No premiums are to be less than 1 percent nor more than 3½ percent of pay rolls. There is to be no adjustment of workers' premiums.

Benefits of total unemployment.—Benefits are to be 50 percent of full-time wages, not to exceed \$15 per week. No supplement for dependents.

Benefits for partial unemployment.—Where the loss in wages in partial unemployment exceeds 40 percent of full-time wages, benefits are to be paid on the following scale:

	Benefit (percentage of full-time wages)
• Loss:	
40-55 percent.....	10
55-70 percent.....	20
70-85 percent.....	30
85 percent and over.....	40

Where full-time wages amount to more than \$30, these percentages are to be calculated on \$30 only.

Duration of benefits.—In any consecutive 12 months the total benefits shall not exceed 16 times the benefit for 1 week of total unemployment.

Qualifications for benefits.—To be entitled to benefits, the worker must have had 26 weeks of insured employment within the preceding 12 months, or (alternatively) 40 weeks of insured employment in the preceding 24 months.

Waiting period.—No benefits are paid until the wage loss equals 3 weeks full-time wages. Only one such waiting period shall be required in any 12 months. The waiting period is doubled for an employee who has been discharged for just cause or has voluntarily quit without just cause.

Seasonal industries.—In seasonal industries the right to benefit shall apply only to the longest seasonal period which the best practice of such industry will reasonably permit. The commission is to determine such seasonal period and fix the proportionate number of weeks required for qualification and the proportionate number of weeks for which benefits may be paid.

Insurance fund.—All contributions are pooled in one fund from which benefits, the expenses of administration, and the cost of free public employment bureaus are to be paid.

Administration.—An unemployment commission of three members is provided to administer the system. Branch offices and local free employment offices are provided. Appeals from decisions of local managers may be taken to local appeal boards and then to the commission. An appeal may be taken from the decision of the commission to the court of common pleas.

The CHAIRMAN. Thank you very much.

The next witness is E. J. Harding, of the Associated General Contractors of America.

Mr. W. A. SNOW. I am here representing Mr. Harding.

STATEMENT OF W. A. SNOW, REPRESENTING THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

Mr. SNOW. I am a member of the national staff of the Associated General Contractors. I have a statement here I would like to present to the committee on behalf of the association and in the interest of brevity if you so decide, I will turn it over to the reporter.

The CHAIRMAN. Thank you very much.

Mr. SNOW. The Associated General Contractors of America, whom I represent, desires to place before your honorable committee certain facts pertaining to the probable effect on the business of general contracting and construction industry, which will result if and when the present provisions of S. 1130 are enacted into Federal Law.

(1) Section 606 under title VI exempts governmental agencies from the definition "employer" who is required to pay the excise tax as specified in section 601.

General contractors, in bidding on public work, will have to include this excise tax as a part of their cost. On the contrary, the governmental agency when compiling its estimate of cost is relieved of this cost item, thus setting up an unfair competitive situation between the general contractor and the governmental agency, all in favor of the latter. This is due to the fact that governmental agencies most generally resort to the day-labor method of construction when they believe that, based on their estimates, the work in question can be done by themselves at a less cost than the lowest responsible bid received from general contractors.

We therefore recommend that the bill be so changed as to provide that when any governmental agency performs construction operations with its own forces, that is, utilizes the day-labor method, it shall contribute to State and Federal social-insurance funds in an amount equal to that which a general contractor would have had to contribute if he had performed the same construction operation under contract. And further, that such contribution be made from the appropriation for the specific construction project and become a part of the cost thereof.

Any further tendency of governmental agencies to impose upon private industry taxes, restrictions, and regulations which are not to be equally binding on governmental agencies if and when they compete with private industry, will only serve to further depress industry and seriously retard national recovery.

We are apprehensive as to the result of the broad enabling provision of section 407, title V. It would appear that the various States coming under the act might create reserves in the form of a pool for each industry. General contractors in a State where the act applied, would contribute to the construction industry pool in the form of a State unemployment insurance tax. State, county, and municipal agencies engaged in construction utilizing the day-labor method would not so contribute to the pool. Private investors in construction then would bear the entire tax contribution for the construction reserve pool, which would in times of stress inure to the benefit of not only construction workers whose employers had paid the tax, but also to those construction workers employed by the tax-exempt governmental agencies.

It must be borne in mind that it has been estimated that approximately 87 percent of the unemployed of all industries who have been put to work have been injected into the construction industry in competition with regular trained and experienced construction workers. If reserves are set up in each State, one for each industry, we recommend that in order to provide for fair and equitable distribution of unemployment benefits, the construction industry be permitted to clearly define its own workers. The construction industry should be required to build up unemployment reserve funds only for the benefit of its own employees so defined.

The failure of a governmental agency to make contributions to a construction industry pool when it engages in the construction industry would make the contribution requirements of the private employer engaged in construction so high as to place a completely unfair penalty on all the private investors in construction.

(2) Another point that we herewith wish to present is the case of the so-called "transients" or "interstate" construction worker. He is a man who moves over the country, obtaining work wherever he can. It is not clear in our mind just how the proposed unemployment compensation funds will be disbursed on his behalf. May we recommend that the bill provide some means whereby the Federal Government will take the responsibility for providing unemployment benefits to an employee in the construction industry who may have worked a sufficient length of time to entitle him to such benefits, but whose employment has been within several States. Such a function by the Federal Government would render a most valuable service to both the States and such transient workers.

The CHAIRMAN. The next witness is J. F. Kolb, representing the National Metal Trades Association.

**STATEMENT OF J. F. KOLB, DIRECTOR OF INDUSTRIAL RELATIONS
NATIONAL METAL TRADES ASSOCIATION, CHICAGO, ILL.**

Mr. KOLB. Mr. Chairman and gentlemen of the committee, I represent somewhat over 900 manufacturers of metal products of the United States in our association.

With your permission I will read what I have to say, because I suspect that some of the members may want to question me.

I approach the discussion of the Wagner bill, S. 1130, before this committee with an appreciation of the gravity of the policies involved and their impracticability which we believe would work a great injury and hardship on employers and employees. We believe the economic results of the operation of its policies would be impractical and therefore very undesirable.

The wide-spread sympathetic interest in the matter of unemployment and consequent loss of income by workmen and their dependents should not be used as a criteria or propaganda for securing unsound social legislation, which perhaps would not only fail to secure anticipated advantages, but would introduce detrimental economic factors.

We believe that the continued use of the expression "unemployment insurance" is a vicious one, largely fomented by people interested in having the State project itself into the problem, the assumption of which would mean only a dole when the money reserves give out thus supplying the lazy a vehicle to secure a release from work with adequate support supplied by industrious employers and employees.

Our association has been engaged in a study of social security for several years including the laws, their applications and results, obtained in England and Germany.

We find upon summing up the arguments and facts concerning State unemployment insurance, that as an insurance plan all calculations have broken down. A fundamental principle of actuarial science is that insurance must be effected on a mathematical basis. The risk of unemployment is not subject to mathematical measurement with sufficient accuracy to permit the use of insurance methods of indemnification.

The association believes that theories proposed by the advocates of State unemployment insurance and other types of social insurance are unsound and that some undesirable situations will be sure to develop if these proposals are made compulsory through congressional and legislative action.

The association believes that the proposed measures for Federal or State social insurance plans are unwise, and that if enacted they will retard, rather than advance, the welfare of our people as a whole. The time required for accumulating reserves for financing unemployment benefits completely eliminates the possibility of providing such benefits for those now unemployed. Further the necessities required by those now unemployed must be provided by private or public relief agencies. A permanent cure can be effected only by removing one by one the underlying causes of fluctuating employment, and by assisting the honest and thrifty American workman in financing himself through periods of temporary unemployment. Recognizing the above as fundamental, the employer, the employee, and their representatives in government should unite on a common ground and reject all proposals which restrict these privileges.

The committee's study of the experience in England and Germany—

Senator KING (interposing). What committee?

Mr. KOLB. Our committee of the association.

The committee's study of the experience in England and Germany with unemployment compensation helped them and no doubt will help you to more correctly interpret and evaluate proposals of similar ideas for adoption by legislative bodies in this country.

The experiences of these two countries indicate that they could not resist the urge to liberalize their plan and in each case were prevailed upon to increase the rate of benefit several times, and subsequently have been unable to stop payments of benefits undertaken. In other words, instead of stopping benefits at the end of the weeks suggested by the plan, they have been continued indefinitely as long as there was unemployment. The experiences of these countries have indicated the unemployed cannot easily be induced to seek work since the unemployment benefits or dole have furnished adequate support and tends to develop chronic loafers.

The introduction of unemployment compensation plans in other countries has been accompanied by the development of most other forms of social security programs such as old-age pension, health, invalidity, mother pensions, and so forth. Therefore, the cost of the whole program must be considered to help you more adequately appreciate the possible total cost to industry rather than any one part of the program because if unemployment compensation laws are enacted such legislation will be followed immediately by others until the whole program of social security will become legally a financial burden on industry.

Social-insurance expenditures have reached peaks of 15 percent of pay rolls in Germany and 13 percent of pay rolls in England and a probable cost for similar services in this country was estimated at 17 percent of pay rolls by a select committee of the United States Senate submitted in 1932. In England over a period of 7 years, approximately 50 percent of the workers have not received benefits from their unemployment-benefit plans. In other words, they paid into it all the time and did not take anything out.

Senator CONNALLY. Was this because they continued to be employed?

Mr. KOLB. Yes.

Senator CONNALLY. They are better off that they did not draw anything.

Mr. KOLB. I grant that.

To continue: In England over a period of 7 years, approximately 50 percent of the workers have not received benefits from their unemployment-benefit plans, another 35 percent less than one-tenth of the time, while the remaining 15 to 25 percent are on the dole a large portion of the time. Other interesting facts secured from this study indicate that a great majority of British industry with 7,800,000 workers were distinctly profitable to the fund, 7 industries with 2,700,000 workers were only slightly unprofitable, and 6 industries with less than 2,000,000 workers were highly unprofitable to the fund, drawing out \$48,665,000 more than they had paid in.

The additional financial burden placed on industry by this proposal even if entirely paid by employers in the first instance becomes either an addition to the cost of labor, thus increasing the price of goods, or must become a deduction from the pay envelopes of the employees.

Senator KING. If I understand those figures, that would mean that in Great Britain certain industries were so efficiently operated or were

so lucky, to use the expression of one of the witnesses, Dr. Epstein, as that they had substantially uniform employment and they had to bear the burden of those industries where they did not have uniform employment, and were not so lucky in their operations.

Mr. KOLB. That is true.

Senator KING. If all of them had been as economically administered or were as lucky in the class of work which they were doing, then the amount of tax imposed would have been very much less than that which in the aggregate was collected.

Mr. KOLB. Unquestionably. Therefore, in either case, the workers must pay the bill.

Senator KING. The worker or the public?

Mr. KOLB. The worker and the public, in general of course; but after all this bill contemplates taxing practically everybody, therefore it is the worker who will pay the bill.

If this bill should become a law and results were obtained similar to English experience approximately 80 percent of our workmen would be compelled to support the remaining 20 percent in idleness, which is obviously very unfair.

Since this bill does not require direct employee contributions for the unemployment compensation they are denied an incentive to assist in reducing unemployment and its costs.

This bill is very unfair in that it does not provide for tax reductions for good employment experience, which again suggests possible duplication of English and German experience.

Section 602 E is very undesirable because it introduces controversial matters and will cause workmen to look upon the receipt of doles as a constitutional right rather than as an emergency privilege. Assured that their income will continue even at half of normal, many workmen welcome an extended vacation. They are not worried or disturbed at their loss of work, and not only refuse to search for new jobs but decline to accept jobs with lower rates of pay than they have usually received.

Under N. R. A. we have found that a number of people receiving doles or benefits of one type or another have refused to accept employment that paid more merely because they were afraid they would be removed from the dole in the community.

These people are unwilling to shift into occupation less skilled or lower paid or to go into other localities, but simply sit down and wait for "good times." Initiative is undermined, and the will to work is sapped.

All of this tends to destroy individual initiative and to slow down and hamper, if not actually to prevent, the economic readjustments during periods of business depression which are necessary to restore prosperity.

Because of inequitable conditions imposed by Federal-State compensation plan if applied generally to industry, our association believes it would penalize employers or industries maintaining relatively stable employment and would not induce industries having unstable employment to avoid seeking means of stabilizing employment to reduce possible unemployment costs.

The adoption of the program contemplated by the Economic Security Act will eventually increase unemployment by further impairing the purchasing power of the consumer. The increased

burdens placed upon productive enterprise by such a program must, unless industry is to be completely prostrated, be passed on to the consumer.

Haste in enacting legislation of this character is unnecessary. It is universally recognized that social legislation of this character cannot offer any immediate help in alleviating unemployment. While the proponents of this program frankly admit that it is experimental, it should be recognized that State legislation which the program contemplates will no doubt be permanent, notwithstanding the fact that the experiment may reveal the principle involved in the Economic Security Act and State legislation enacted pursuant thereto is unsound.

The adoption of this program at this time would impose a serious and indefensible tax burden on private enterprise at a time when productive industry is already so overburdened with taxation that opportunities for employment are now seriously impaired.

This measure is an unwarranted attempt to use the taxing power of the Federal Government to coerce States into the passage of legislation on a subject which lies outside of the constitutional powers of Congress.

We believe State-operated compulsory unemployment-compensation plans and old-age pensions with State pooled funds are unsound because such plans will probably:

1. Tend to aggravate the disparity between prices of agriculture and manufactured products.
2. Impair confidence in public finance.
3. Penalize employers who have created irrevocable trust funds for establishing voluntary unemployment or old-age reserve funds.

Senator KING. What do you think will be done to those organizations that have those trust funds?

Mr. KOLB. They would lose those funds unless such legislation or enactment of Congress permitted Congress to pay it back from the trust companies that have those funds in their keeping. In many cases they have taken that out of profit and put it into these funds for the benefit of employees, and tied it up irrevocably in order to eliminate the possibility of anyone saying they were controlling the fund.

Senator CONNALLY. Could that not be corrected very easily? Could they not utilize the income from that to take the place of what they are forced to pay or reimbursing the heirs of the person making the claim with interest?

Mr. KOLB. Those plans that I am familiar with are so tied up that the company putting the funds under the trustee agreement have no right to any portion of the fund or earnings therefrom.

Senator CONNALLY. But in the law, where the purpose of the trust fails for any reason, there is a doctrine—I can't remember the name of it just at the moment—what is that, Senator King?

Senator KING. The doctrine of cy pres.

Senator CONNALLY. Yes; the doctrine of cy pres.

Mr. KOLB. That is a question I am not prepared to answer.

Senator KING. I do not think, Senator Connally, that where it has been impressed with trust features of a fiduciary character it could be thrown into a national fund.

Senator CONNALLY. Perhaps not.

Senator KING. Or a State fund to be divided among all of the unemployed.

Senator CONNALLY. But our laws and Constitution do not make impossibilities and absurdities, and the fact that they have made such an agreement under certain State laws or under any set of circumstances would not mean that they had to be consigned to it under other circumstances. Courts of equity have the power to settle those matters. That is not an insuperable objection to this legislation at all. You could go into a court of equity and modify the conditions of the trust or refund it to the donors.

Mr. KOLB. That might be possible, Senator.

4. Place additional administrative cost on the employer to comply with provisions of the law.

5. Induce legislation to satisfy demands for increased income, extended coverage, and longer periods of protection.

6. Increase materially Government expenditures for administrative purposes.

7. Result in increased cost of production.

8. Reduce individual real wage.

9. Benefit certain groups of workmen at the expense of others.

10. Give State officials authority to decide whether an employer is offering a workman suitable work at a proper wage.

11. Place the cost for the support of the shiftless and unemployable upon the thrifty and industrious.

Senator CONNALLY. It would not do that with the unemployed because the unemployed would not have had a job and could not have lost it.

Mr. KOLB. Experience in these other countries seems to indicate that there is a large portion of the people that will remain unemployed. As a matter of fact, when their acts were established and starting working, they found that their unemployed increased materially, and it is anticipated that we will have the same thing here.

Senator CONNALLY. I can see that, but the unemployable, the man that is not able to work, would not work and would not lose the job. It would be the part-time man more than the man without a job.

Mr. KOLB. Not necessarily. You see, some men, perhaps because of afflictions or technological change in industry become superannuated, and for those employees, they would not be employable in one sense whereas physically they would be able to carry on if it were possible to find suitable employment. A lot of conditions inject themselves that affect that problem materially. Our associations' conclusions briefly stated include:

1. We are actively opposed to enactment of Federal controlled State-operated unemployment insurance or old-age compensation laws.

2. We recommend that the President appoint a commission to coordinate Federal, State, and local studies in the field of social security to determine possible need before legislation is attempted.

I hinted a while ago that there is no haste in doing this job, and we fear that hasty action on this matter, which I do not expect you gentlemen to take, no hasty action, is apt to introduce complications that are going to be very embarrassing to industry.

3. State control of unemployment compensation should never be permitted to go beyond general supervisory responsibility.

4. Company-operated unemployment compensation plans present opportunities for successful operation and employers should be permitted to continue to develop their own plans which would be contributory with individual employee deposits to improve rather than destroy employer-employee relations and yet keep the plan within sane limits.

In connection with that one thought, I have another here in my notebook which I would like to add. Under these voluntary plans there would be a large loss to employers. That would be largely because they could not be coordinated with a plan such as is suggested by this measure.

Second, there would be a cancelation of accrued credit due employees, and that would seriously affect the morale of employees; in other words they would lose that money.

Another thought that might be injected there, hinted at a moment ago, is the killing of the incentive to save for old-age purposes, and that is true for generations in this country. Men have built up an equity of one kind or another either in real estate, bonds, or cash for the purpose of taking care of themselves in old age. If we killed that incentive, it will prevent or largely eliminate men building up a sufficient reserve to take care of themselves in the event superannuation hits them earlier than they had anticipated. In other words, we fear this will have a tendency to induce them not to lay up or accumulate for their old age a sufficient amount to take care of them in the event superannuation hits them before age 65, and that is happening right along.

Senator COUZENS. What would you do with a man who has lost all of his money in the banks and stock market and things like that?

Mr. KOLB. I lost darn near all I had that way, and I have not been able to answer that question to my satisfaction.

Senator COUZENS. No one has destroyed thrift any more than business itself has through high-pressure salesmanship in installment sales, and as long as the greed that was behind that drive existed, there was no incentive for thrift. If it reestablishes itself, you will never have thrift.

Mr. KOLB. I hope it won't reestablish itself.

Senator BLACK. Do you think the incentive you speak of for thrift has been a howling success?

Mr. KOLB. I think it has.

Senator BLACK. What percentage of the people would you say now can live on that which they have saved from their work?

Mr. KOLB. I cannot give you that percentage. I can give you a general statement about it. America is the one country in all the world that is considered the home-owning country. More people in this country own their own homes than any other country on earth.

Senator BLACK. How many of them would own them now if it hadn't been for the Home Owners' Loan Corporation?

Mr. KOLB. A very large proportion of them.

Senator CONNALLY. Does that include France?

Mr. KOLB. It includes all countries.

Senator CONNALLY. You say that the United States has a larger percentage of home owners than any other country?

Mr. KOLB. I think that is true.

Senator CONNALLY. I was led to believe that France has one of the highest percentages. I understand that 60 percent of the French farmers own their own farms, and that is a larger percentage than obtains in America.

Mr. KOLB. I am not certain of that figure.

Senator BLACK. What company are you connected with?

Mr. KOLB. National Metal Trades Association.

Senator BLACK. How many employees do they have?

Mr. KOLB. I cannot give you the number of employees because that has fluctuated so violently during this depression.

Senator BLACK. Do you believe that as many as 10 percent of them have been able by reason of this incentive that we have been depending upon to save up so as to take care of themselves throughout the period?

Mr. KOLB. Yes; there is no question about that.

Senator BLACK. You think so? Have you read the figures given out by the insurance companies who have had a study of that made, of the individuals who found themselves helpless and destitute at 65?

Mr. KOLB. Yes, sir.

Senator BLACK. That does not indicate that it has been very successful?

Mr. KOLB. But this particular depression we have had has been of a very unusual character.

Senator BLACK. This was before the depression started. These figures have come out—insurance salesmen have given them to you, haven't they?

Mr. KOLB. Oh, yes, but salesmen give you a lot of things to induce buying.

Senator BLACK. I agree with that, but you know, do you not, that they made a study over the entire Nation in order to find out what percentage the people had been able to save from what they had made?

Mr. KOLB. Yes.

Senator BLACK. And you do know, do you not, Mr. Kolb, as a matter of observation to anybody that ever made a study of it, that depending on the individual's own wages in this country and farm prices, it has failed insofar as giving people enough to live on if concerned after they reach the age of 65 or after they get out of work?

Mr. KOLB. Well, as a matter of fact, the oncoming generation usually takes care of those who reach age 65.

Senator BLACK. That gets down to a different proposition. Your idea was that we ought to continue to depend altogether on individual thrift. It has not succeeded, has it?

Mr. KOLB. I believe it has.

Senator BLACK. Your judgment is that the 20 million people out of work now, and with the Home Owners' Loan Corporation trying to save homes by the billions of dollars, the Federal land banks trying to save farms by the billions of dollars, and with the farmers' debts up to the extent that they hold twice as much as their gross annual income, that it has been a great success?

Mr. KOLB. I believe it has in general. This has been an unusual period and I think that even the best of us have lost practically everything during this period, and it could not have been headed off under any conditions.

Senator BLACK. Those individuals were not responsible for that, were they?

Mr. KOLB. No; individuals were not responsible because this was world-wide.

Senator BLACK. Under the theory of our system, we are supposed to have those panics and depressions at least once or twice every 10 years.

Mr. KOLB. Something like that.

Senator BLACK. Then the idea is for a man to be thrifty and save up enough so that in 5 years it is gone?

Mr. KOLB. Most of the employees that we have to do with do not lose all of it in that length of time. This period of depression has been a very unusual one and has put remarkable strain on everyone.

Senator BLACK. Each one lasts longer than the one before, does it not?

Mr. KOLB. Yes. But in the event that your social security act had been in effect, it would not have been able to have dealt with this problem in any effective manner in any way at all, because first it would only run for a few weeks and then stop.

Senator BLACK. That is unemployment insurance.

Mr. KOLB. Yes. Of course your old-age matter would run indefinitely for those of a certain age, but in the large portion of the people affected during this particular, this depressional period, they have been of all ages. Here in Washington, due to a recent survey they found that 40 percent of the people unemployed are under 25, I believe. The next point is this superannuation which will include a relatively large number which would not be covered by either part of the act.

Senator BLACK. Then if I get your idea, or the idea of your association, it is this: That the system which has operated is depending altogether on individual thrift that has been a success?

Mr. KOLB. It has.

Senator BLACK. And therefore you want to continue with the same old system of depending upon the individual thrift to save up enough to take care of his sickness, to take care of his illness, to take care of his accidents, to take care of his family in case of death, to take care of himself in case of old age, and take care of himself if he is unemployed.

Mr. KOLB. That is right. We believe if you eliminate the incentive to save, it will destroy one of the best values in American life.

Senator BLACK. And you believe it has been thoroughly successful?

Mr. KOLB. I believe it has.

Senator CONNALLY. Of course it would be bad to destroy entirely the incentive to save. But would this necessarily do this? Would not the great mass of people now thrifty and wanting to save, would they not still have the same impulse to save and not be forced to accept semicharity, you might say, in the form of old-age pensions, or if they did, to have something over and above what they would get from old-age pensions; and is not also true that thrift and all that pertains to it among certain classes of our people, people who are efficient and who have that inbred in them, and that millions of our people live from hand to mouth? Even in the higher brackets, we have men who make large salaries and by the end of the month they have it all spent. Isn't that true?

Mr. KOLB. Yes; that is true. It is difficult to express in terms of percentages those we believe who might be able to continue operating as we have in the past and satisfy the questions set up by the other Senator.

Senator CONNALLY. The fact that I am going to get when I am 65 a little hand-out is a little deterrent from saving, but it would not wholly destroy the incentive. You say that it would wholly destroy it; I do not believe it would wholly destroy it.

The CHAIRMAN. You perhaps used too strong an expression in that regard.

Mr. KOLB. Yes.

The CHAIRMAN. Have you finished your statement?

Mr. KOLB. The concluding statement is: Therefore, Mr. Chairman and members of the committee, we urge you as a matter of promoting national and individual well-being to report this bill unfavorably.

Senator CONNALLY. You represent the National Metal Trades Association?

Mr. KOLB. Yes, sir.

Senator CONNALLY. What kinds of concerns are members of that?

Mr. KOLB. Large and small manufacturing companies, manufacturing metal products, from the Mississippi River east to the Atlantic seaboard and from the chain of lakes on the north to the Mason-Dixon line.

Senator CONNALLY. Would the United States Steel Corporation be one of them?

Mr. KOLB. They are not one. There are several of the large employers who consider themselves self-sufficient in matters with which we deal.

Senator CONNALLY. And they do not belong to your association?

Mr. KOLB. That is correct.

Senator CONNALLY. How many of those concerns—you say you have 900 of them—how many of them now have unemployment systems?

Mr. KOLB. I cannot give you a definite statement about that. Several of them do have, and quite a number of them have old-age-pension plans that have been inaugurated. Some of them have sizable sums tied up that they will not be able to recover except by court process.

Senator CONNALLY. Do you believe the establishment of those funds would eliminate thrift?

Mr. KOLB. As far as these corporations are concerned, they will continue to do what they did before. They are following up their little bit, and without regard to the others.

Senator CONNALLY. I think the employees should contribute in this bill. Then you would be in a way encouraging thrift.

Mr. KOLB. I believe in that. If the employee is to participate by contributing, he will try and conserve the fund and eventually will be the recipient of a larger measure of benefits.

The CHAIRMAN. Thank you, Mr. Kolb. The next witness is Stanley Latshaw, of the National Publishers Association.

STATEMENT OF STANLEY LATSHAW, REPRESENTING THE NATIONAL PUBLISHERS ASSOCIATION, NEW YORK, N. Y.

Mr. LATSHAW. What I had intended to say, Mr. Chairman and gentlemen, has been largely said by some of the preceding speakers, and as time is getting late I will try to make only a very few comments.

I am representing in a way the periodical publishers.

Senator KING. By that do you mean the metropolitan press as well?

Mr. LATSHAW. No; these are the periodical publishers—farm papers, religious papers, scientific, and so forth.

Senator CONNALLY. Magazines?

Mr. LATSHAW. Magazines.

However, I am not here as the result of the collection of data and the collection of opinions of these publications representing, as I say, something more than 4,000 of all sorts of political and economic points of view unless we conducted a referendum, it would be impossible for anyone to speak definitely with respect to the views upon such a large and varied organization. So that anything that I might say is said with the backing of the officials of the organization and is in advance of the collection of data which we now have in progress.

We represent a business of \$300,000,000, probably, with an employment roll of some 100,000 or more and about 11,000—we have to take it from the census figures, as the combination, because it has not been broken down between metropolitan newspapers and periodicals—a total of some 11,524 of whom 11,000 roughly employ 50 persons or less. The nature of our business is such that our wages are high and our employment is stabilized to a degree I think that is unequalled in the other large industries.

We therefore have in the matter of employment, the minimum peaks and valleys of employment and unemployment, and I think that according to the figures of the National Industrial Conference Board, the rate of wages paid in our industry over the period of the last 10 years has been the highest paid by any large industry, with a few exceptions.

Senator CONNALLY. Is that because you are making more money than the other industries?

Mr. LATSHAW. Unfortunately that is not true. I happen to be the chairman of our code authority, and in our code authority hearings based on questionnaires sent to the publishers and the figures coordinated, we showed that 70 percent of the periodicals published in 1932 were in the red, and that in the opinion of our board of directors, 90 percent of them were in the red in 1933, so that we have not made a great deal of money.

Senator CONNALLY. That is because of the falling off in advertising by reason of the business slump?

Mr. LATSHAW. Very largely, and because our business unfortunately is one that cannot shut down. If the next issue promises to be unprofitable, we must issue it nevertheless; there can be no partial suspension. It must go on, either according to the custom in the trade, and also because of the post-office regulations.

Senator CONNALLY. Is the Saturday Evening Post a member of your organization?

Mr. LATSHAW. All of the periodicals, large and small. I find myself speaking for the periodicals with the reservations that I have made, because as I say, we include so wide a sector that we include all possible points of view, and the points I wish to make before the committee is the inability that we have to be of service in this hearing. This is a very large and complex subject. Our record shows, I think, and you may agree with me, that we have been leaders or a large part of our membership have been leaders in what might be called social betterment. I think that our record shows that we have been not the recalcitrant die-hards; our own handling of our employees and the payments that we make to them show that we practice what we have preached. And we should perhaps be prepared to come before you gentlemen with some plan.

Unfortunately, the point that I wish to make is that this legislation, perhaps because of our stupidity, has caught us without preparation. It involves and will involve for industry—

Senator CONNALLY (interposing). As I understand you, you do not even know whether your industry as a whole favors it or is opposed to it?

Mr. LATSHAW. Quite true. What I am trying to make as my point, gentlemen, is this, that our industry, in common with all industries, is that there is proposed a series of regulatory measures, new legislation which involve millions and ultimately billions of dollars. Our share of that will be not only our contribution but the contributions which we would have to absorb as other industries would have to absorb, by the additional cost of supplies and so forth, and the expense and ramifications of this do not frighten us, but they bewilder us with the speed with which we are asked—we are not asked, because we came here voluntarily, but we should like to be—and I think perhaps there are other industries in the same position; we should like to be better informed.

I suggest therefore that it is the opinion of our industry, and this I think I can speak with a reasonable degree of assurance that I would have the concurrence of that majority, that in the wisdom of this committee, that a commission be appointed to make a study of the situation in Europe, to make that study which has been made in Europe by commissions there and has taken a period of time and that the findings of that commission be made available for study, not only by Congress, but by industry and others interested in general.

It is proposed to put our hands to a plow that has a furrow that leads clear over the horizon. It is not temporary legislation, it is not emergency legislation. The dictation of the interest in the matter may arise from an emergency, it may be inspired by an emergency, it may be quickened by an emergency, but it is as I take it, not an emergency measure, and the publishers that I am representing ask that a commission be appointed to make a study. Perhaps it may take a year to make such a study, the study to reveal the experience and the mistakes. I understand that in Europe there is no system that has not been tinkered with repeatedly.

Senator CONNALLY. We do that with all of our laws. We would not be here if we were not tinkering with our laws all the time.

Mr. LATSHAW. I think, Senator, the best we can hope for is that legislation might emerge that would require the minimum of tinkering.

Senator CONNALLY. Is it not well known what these European countries have done? Did not the Cabinet Committee that prepared this bill make a study of all of these questions? Would your suggestion not merely mean the delay of a year?

Mr. LATSHAW. We are not cognizant of the result of any such study and plan as is set forth here that would give us time to digest or to understand or to make an application of it to our own industry and to make the calculations as best we could as to the ramifications and the computations and permutations.

Senator CONNALLY. We cannot make anybody study these things unless they want to. Here is your organization representing the press of the Nation, and ordinarily to whom we are supposed to look for instruction and guidance, and here you are coming along and wanting us to wait another year so that your members can learn all about this thing.

Mr. LATSHAW. Perhaps we are unduly modest in coming along with recommendations.

The CHAIRMAN. You will recall that this Committee, appointed by the President, was appointed many months ago and that they did give study to it over a long period of time.

Mr. LATSHAW. Yes, sir.

The CHAIRMAN. They studied the European systems and State systems, and so forth, and at the close of the last session of Congress or before the close of the last session of Congress, it was thought then that at least one feature of this bill would be taken up, and that was unemployment insurance. Bills had been introduced on old-age pension. Committees of Congress had had hearings on all of these matters which were available, and the administration thinks that they have been proceeding along deliberately with a view of getting up a plan such as this and it makes these suggestions. So that all of this matter was available to your organization.

Senator KING. If I may say so, I do not believe that this request which you have made, and I say it with all due respect to you and your organization, will get anywhere. I do not think that this Congress is going to delay passing some bill dealing with social insurance, and unless you can make some contribution by way of practical suggestions or the form of the legislation, you will have no part in the measure that will emerge from Congress when we get through. There will be some bill passed, and I think your organization might just as well recognize that fact.

Mr. LATSHAW. We have never been here as obstructionists. I think that will be granted. I think on the contrary, that we were more like plumed knights that are trying to lead, whether properly or otherwise.

Senator KING. We wish you would, as plumed knights, suggest some improvements if you deem that the bill before us is defective.

The CHAIRMAN. I think that the committee gets the viewpoint of your organization, and your viewpoint, that you want us to proceed stealthily and slowly, that you have not been able to get together the opinions of your organization into various propositions, and you are not in a position to make any suggestions.

Mr. LATSHAW. There is only one thing, one trifling suggestion in passing, and that was given quite some discussion this morning at the hearing. I said at the start that we have a very fine record as to

wages paid and the stabilization of employment. It seems to me unfair to adopt a system by which the efficient, without reward, would carry on the work of the inefficient, or the "unlucky" as it has been termed. It seems to me that in this matter as in other things, that charity commences at home, and that those industries that have had a record of taking care of their own should be given recognition in legislation, definite recognition, because otherwise the premium will be on "letting George do it", and we have not had that point of view and we do not think that will be fair and equitable, and we do not think it would encourage the very sort of employer and employee relationship which is presumed to be desired in social legislation.

The CHAIRMAN. We are very glad to get your suggestion. If there are any other suggestions you want to make or elaborating your remarks, do so, and we will put this in the record.

Mr. LATSHAW. Thank you.

Senator BLACK. Is there any industry in the Nation that is more dependent upon wages and the incomes of individuals that buy its output than the publishers?

Mr. LATSHAW. Not that I know of.

Senator BLACK. To that extent, then, anything that stabilizes employment throughout industry as a whole and which might improve the income of the purchaser is at least as much to your industry as to that of any industry that does business in the country.

Mr. LATSHAW. I should say so.

Senator BLACK. And in connection with your idea of waiting, you are familiar of course with the fact that for a number of years in all of these periodicals, many of us have been reading most excellent articles on the subject of unemployment insurance, old-age pensions in this country and in general. You periodicals have been open to such publications, have they not?

Mr. LATSHAW. Many of them.

Senator BLACK. And they have been carried from year to year all through the years. Even the progressive Saturday Evening Post, as I recall it, has had a number of articles on that subject of unemployment insurance. So that your industry of all industries, if it reads its own publications, has certainly been better educated on it than any other industry in the Nation, has it not?

Mr. LATSHAW. Perhaps, but we still do not feel that we are sufficiently educated.

The CHAIRMAN. But they are not all together on the proposition.

Mr. LATSHAW. No; and we never will be.

The CHAIRMAN. That is true with reference to this committee and that is true with reference to Congress.

Senator CONNALLY. While you are not prepared to represent the views of all of your members, probably you would like to give us your own individual views. I do not insist, but if you do, I think the committee would be glad to have it as an individual.

Mr. LATSHAW. I do not believe, sir, that I should take the time of this committee to indulge in generalizations. We have had the question as to whether the Ohio plan was better than the Wisconsin plan, and whether this bill should be divided or whether it should be left in the present omnibus form, whether it should be administered by a commission or Cabinet member, and so forth and so on. There has been many suggestions about this thing. I have 4 pounds of data in

there [indicating] and I do not believe I can concrete any brilliant new thought that would solve the problem. I am trying to say that from the best guidance that I can get from the members that I represent, that this is a problem so far-reaching, so important, and so long in duration that it should not be passed as an emergency measure without the opportunity for review and consideration, so as to minimize the inevitable tinkering that will come.

Senator CONNALLY. Of course there is no law that we ever passed that we never changed. The world is moving and we are progressing, and we are going to have to change all of these laws from time to time. Did it ever occur to you that the old-age pension and the unemployment will probably help your business?

Mr. LATSEAW. Anything will.

Senator CONNALLY. The unemployed and the aged are the chief newspaper readers now. [Laughter.]

The CHAIRMAN. You have been one of the best witnesses before this committee. I congratulate you on your modesty, and I presume you can appreciate our troubles, perhaps more than any other witness who has appeared before the committee.

STATEMENT OF ELON H. HOOKER, PRESIDENT HOOKER ELECTRO-CHEMICAL CO., NEW YORK CITY, REPRESENTING THE MANUFACTURING CHEMISTS ASSOCIATION

Mr. HOOKER. Mr. Chairman, if you want to go to lunch, if the time is short——

The CHAIRMAN. No. We have had to arrange our calendar as we have gone along. We hope to close these hearings this week. If you have a statement that you want to put in the record, very well, and discuss the high points of your statement, all right. The committee is not going to sit this afternoon.

Mr. HOOKER. I would like to put in my statement and then if the committee is not too tired, I would like to make a few remarks afterward that are a little more direct and a little less carefully studied but perhaps a little more human.

The CHAIRMAN. You may put your statement in the record then. Did you want to read the statement?

Mr. HOOKER. I will bring out the main points in it; yes.

I am president of the Hooker Electrochemical Co. In that capacity I am an employer of labor and have a definite responsibility, which I feel deeply, for the welfare and best interests of those who are employed in my plants. I appear before you, therefore, today as a man faced with an operating responsibility who will, in his particular field, have to carry out the provisions of the bill which you are considering should it become law. I am here also in a broader capacity as a representative of the chemical industry, having been requested to serve by both the Manufacturing Chemists' Association and the Chemical Alliance.

According to the 1933 figures from the Bureau of the Census, the chemicals and allied products industry have 6,257 establishments, employing 265,709 workers, with wages totaling \$311,540,000. I cite these figures to you simply to show you that the provisions of the bill which we are considering today are of the greatest interest to the industry which I represent.

The matter, however, goes considerably beyond simply a question of the number of employees and the wages paid to them. The chemical industry is a basic industry. It is perhaps more closely related to production in other fields than any other industry in the United States. The reasons for this are not far to seek. Through long hours which its chemists have spent on research problems, through the expenditure of millions of dollars in experimental developments, it has shown the way to scientific progress which has permitted America to become practically self-sustaining and to lead the industrial nations of the world. Anything which works in any way to the detriment of this industry and which discourages research and development inevitably slows up the general scientific progress of our Nation.

In presenting this brief I should like to state at the very outset that no one is more interested in providing economic security for the working population in this country than the employers of labor. A satisfied labor force is their chief asset. As employers of labor they have an interest in preventing any legislation or action that may impair their ability to give employment. Employers necessarily think first in terms of cost, because their ability to stay in business and to provide employment depends on their ability to sell their commodities at a price that the consumer can afford to pay.

In estimating the value of the legislation here proposed, therefore, we must think in terms of whether or not the benefits will justify the cost. From this point of view it is necessary to treat the proposal for unemployment insurance separately from the proposal for old-age pensions.

Before discussing the specific provisions of the bill before you, it may be useful to attempt to define unemployment. The definition is simple. People are unemployed when they do not work for money; that is, when they do not have paid jobs. However, people may be unemployed for a variety of reasons.

Unemployment may be broadly classified into voluntary and involuntary. This distinction is particularly important in connection with the type of legislation here proposed. No one, I am sure, would consider paying unemployment compensation to persons who voluntarily abstain from employment. There is a considerable number of such persons in every country, although no statistics on this subject are available. Indeed, they would be extremely difficult to get. Few people would be willing to admit that they would rather be idle than engaged in some useful work. It would be particularly difficult to determine the number of those people who work only as long as necessary to maintain themselves in existence and who would take advantage to the fullest measure of any State schemes of unemployment relief. Every employer is familiar with this type of labor and with the difficulties which it causes in periods of active business. These people are first to be fired and last to be reemployed. They have no intention of becoming regular and stable workers for whose employment industry must accept a large measure of responsibility.

Senator CONNALLY. You would not reemploy those people if you could get more efficient people would you? You say they would be the last to be reemployed.

Mr. HOOKER. They are the last you wish to employ.

Senator CONNALLY. You would take them back because you could not do any better.

Mr. HOOKER. When you run out of the cream of other labor, you have to use those. While they are a public charge, they should have the least benefits because they are the least willing to do their part.

Senator CONNALLY. They would get the least benefits because they get only half wage, and the other fellow gets full wage.

Mr. HOOKER. Involuntary unemployment is due to causes over which the worker has no control. There are several types of involuntary unemployment and, therefore, several remedies for its relief and prevention.

First, we have unemployment due to old age, physical and mental defects, sickness, accident, and other causes, which make the worker physically unable to engage in gainful employment. Persons in this group are not subject for unemployment compensation of the type proposed in the bill which we are here considering.

Those workers who are able and willing to work, but unable to find employment through no fault of their own, may also be divided into a number of groups. In certain industries unemployment is chronic, that is, their demand for labor has ceased to increase or has begun to decline and the workers thrown out of employment can never expect to return to their jobs in those industries. The remedy here is not unemployment compensation but rather shifting of workers to other industries and other regions.

An outstanding example of that of course, is the trouble we have had for nearly 50 years in the coal regions. There has been nothing the matter there excepting that there were 250,000 workers there that could not be employed. If long ago they had been moved to some other section of the country, there would not have been any problem in the coal regions at all. That is what has been the matter.

In seasonal industries workers are regularly unemployed during a portion of the year. The remedy here is not payment of unemployment compensation which, even if desired would be too costly, but rather regularization of employment or provision of other work during the off season.

Finally, there is the group of workers who are classified as regular and stable employees but who experience in normal periods intermittent unemployment as a result of maladjustments of the demand for labor and the supply of workers. The demand for labor cannot be fixed as to kind and quantity on account of the dynamic character of our economic system, continuous changes in the methods of production. I can give you a great many examples of that which the people who are not involved in industry do not always understand.

Senator KING. Some plants become obsolete by reason of changes?

Mr. HOOKER. In my own company, I had just finished a million dollars of the finest bleach chambers that were ever built in any country, on methods that we had invented, and which were far superior to anything there was. They cost just \$1,000,000. We had them about finished for about 3 months, when a competitor came along and developed a scheme of liquefying chlorine under high pressure and under great cold. In 4 or 5 months that entire system of bleach chambers and all of the other bleach chambers in England and everywhere else in the world were entirely scrapped. I had to build another million dollars' worth of liquefying chambers to take their

place, and it has stood there for 15 years; so you see when you come to figure what industry has to pay to keep alive and pay taxes for you people down here to appropriate, you have got to realize that there are all kinds of obsolescence and excess charges that do not appear in the ordinary course of things.

Senator CONNALLY. We take pretty good care of the chemical industry by protecting them with tariffs.

Mr. HOOKER. The chemical industry, Senator, has been taking awfully good care of you, too, by what they have been doing, because it has made you independent of the rest of the world and enabled you to get nitrogen from the air and protected you inside of our own borders, and not have our supply of munitions cut off by any other country blocking the coast of Chili as a source of nitrate.

Senator CONNALLY. I am not complaining, but you were talking about how much you were helping us down here by sending taxes down. We have been helping you to take care of your business and make you prosperous so that you had that \$2,000,000 to spend that you have been talking about.

Mr. HOOKER. We have and we have not. As I go along a little further—if you would like me to be frank and personal, I will tell you something else——

Senator CONNALLY (interposing). I have no desire to indulge in personalities. I merely commented on a statement which you made.

Senator BLACK. Who invented the plan of taking nitrogen from the air?

Senator KING. Haber.

Senator BLACK. Where did he live?

Mr. HOOKER. He lived in Germany.

Senator BLACK. Yes.

Mr. HOOKER. The demand for labor cannot be fixed as to kind and quantity on account of the dynamic character of our economic system, continuous changes in methods of production, in habits of consumption, in the level of prices, and in the ability of the markets to consume the products of industry. The supply of labor is composed of individuals, each capable of performing a limited range of work and tied by all sorts of ties to a particular region or locality. In a large measure industrial employment is not and cannot be continuous. It consists rather of a series of jobs for which workers are employed and laid off when the job is completed until new work is available.

The length of jobs varies from industry to industry. Workers move from completed jobs to new work, and it is inevitable that in the interim they experience some measure of unemployment. In normal periods, therefore, the pool of intermittent unemployment is not composed of the same individuals. Each day and each week some workers drop out of this pool on the way to new jobs, while other workers become part of it upon the completion of jobs. In view of this fundamental characteristic of our economic system an extraordinary degree of mobility is required in the labor force if unemployment is to be kept at a minimum. Any scheme of unemployment compensation which impairs mobility of labor or the willingness of workers to make a change will increase unemployment.

In this country there is an appalling lack of information concerning the extent of unemployment and, in particular, concerning the nature and composition of unemployment during periods of normal business

activity to which the bill before you is designed to apply. That being the case, it seems to me that we are trying to provide a remedy for a disease the nature of which is not known to us. It is not the intention of the people who framed this bill to take care of depressional unemployment.

As I understand it, this bill has nothing to do with depressional unemployment; it is meant to take care of unemployment at ordinary times. As I understand, Miss Perkins especially disavows that. They tried in England to take care of the personal unemployment and made a complete failure of it. This bill is supposed to be free from that taint.

That is an impossible task for any unemployment insurance or compensation scheme. The burden of depressional unemployment must fall on society as a whole.

Whether you realize it or not, this is a particularly unfortunate time, in the midst of a deep depressional unemployment, to frame legislation that is designed for an entirely different kind of a situation, because the atmosphere is all wrong. This is the time to frame legislation for depressional unemployment; it is not the time to frame legislation for unemployment insurance that has nothing to do with the depression, because every condition is adverse to a sane solution of the problem.

My opposition to this bill rests, in the first place, on the ground that, to my knowledge, it has been prepared without an adequate factual study and without the necessary consultation with persons who will be most directly affected by its provisions.

I am sorry Senator Harrison is not here, because he takes exception to that, as I listened to the previous speaker. This bill was prepared with 6 months of study by a committee. That may seem to you gentlemen a long time, but the provisions contained in this bill are to cover a period of time running on to our children's children, and our grandchildren, and 6 months of experience in this kind of a complicated thing, 6 months study is not nearly enough.

Senator CONNALLY. What would you think would be enough?

Mr. HOOKER. England has been 4 years before they made their first proposition at all, and after a few years of failure, they took 2 years more to study the reconstruction of it.

Senator CONNALLY. We have spent all the time that there is up to now.

Mr. HOOKER. But we do not have to do it now. We have to do the personal unemployment now, but we do not have to do permanent unemployment.

Senator BLACK. We still have both kinds of unemployment, do we not?

Mr. HOOKER. Oh, yes.

Senator BLACK. There are 2 or 3 different kinds that you pointed out, transitional and technological unemployment, and so forth.

Mr. HOOKER. Yes; but my point is that we have so much of emergency matters to deal with now, that it is the wrong time to deal with something that is absolutely not an emergency at all.

Senator BLACK. I would fully agree with you if it were attempted to confuse this unemployment insurance with emergency legislation to take care of the depression. A good many of us have studied it very carefully for a long time.

Mr. HOOKER. I think you have separated them and I agree with you entirely, but my point is that we have so much emergency legislation, legislation necessary right now, that we should not take up the problem of this kind until we are in a much calmer mood and much more on an even keel. I would love to give you gentlemen an example of the kind of thing that I believe is calling for your instant and constant attention in the Senate Finance Committee as against this kind of thing at this particular time, and if I am given permission, I will explain that to you afterward.

Senator KING. Your idea is that while we are in the midst of a great depression and perhaps fifteen or ten million people out of employment, and 19 million are recipients of contributions from the relief organizations of the Government, and while industry or many industries are rather prostrate, the atmosphere is not conducive to wise and sound thinking along the lines of permanent legislation looking to unemployment and cognate questions?

Mr. HOOKER. Senator, you have said it twice as well as I could say it.

I should like to call to your attention the fact that before the first scheme of unemployment insurance was introduced in Great Britain, a Royal Commission spent 4 years studying the problem of social insurance and that before the new unemployment act was passed in 1934 another Royal Commission spent 2 years studying the question of necessary reforms in the existing scheme. Our Committee on Economic Security spent 6 months, in the atmosphere of a severe business depression most prejudicial to an impartial approach, studying the problem with which we are confronted. They had an impossible job, but this bill was sent to you unaccompanied even by a complete presentation of such facts as the Committee have been able to develop during the short period available to them for study and investigation.

This bill should not be rushed through without a knowledge of the facts. And I contend that there is not a proper knowledge of the facts before the country, and men like myself who are going to pay this bill, so that we can form any adequate judgment to help you in any way, and remember that the Senate Finance Committee stands between us and stands between businesses that are almost prostrate, stands between us and destruction, and we feel that we can come to you for support and for protection. You will have no taxes to pay anything with if you do not keep American industry alive, and we have a right to depend on you gentlemen to do it, no matter what propositions, impractical propositions, are brought up.

Senator CONNALLY. We have got to keep your purchasers alive at the same time, haven't we, the people who purchase your products? We cannot keep industry alive unless we keep alive the people who are going to buy your products and consume them.

Mr. HOOKER. There are people enough and money enough to buy our products, the trouble is now that we cannot get any prices for our products that enable us to make any money to pay our taxes with, and I would be prepared to show you that.

As I say, this bill should not be rushed through without a knowledge of the facts. We are creating an enormous bureaucracy to take care of a problem the magnitude and significance of which we really do not understand. We do not know whether or not as a result of this bill

the problem of unemployment will be made less serious or more serious. I am convinced that if stable and regular employees, for whom industry is glad to assume its proper share of responsibility, are separated from the pool of unemployment existing in normal times, the problem can be handled by industry without building up a tremendous bureaucratic system the effect of which will inevitably be to increase unemployment and its costs.

My specific objections to the unemployment compensation scheme here proposed are as follows:

(1) It does not give expression to the ideas of the President of the United States that the individual States should have a large measure of freedom in experimenting with various schemes of unemployment compensation, according to their individual State needs and circumstances. The bill, as framed at present, practically forces the States to adopt a State-pooled fund. It forces them, furthermore, to apply a 3-percent pay-roll tax to all nonmanual employees regardless of the amount of annual income. If the States are to comply with the provisions of this bill they cannot experiment with other types of unemployment compensation, such as individual reserve plans.

The President has asked for that and the bill does not give it.

(2) The financial burden on the States would be uneven because the risk of unemployment varies greatly from State to State. I understand that in some States the risk of unemployment is 3 percent and in others it is 33 percent. It is not fair to put a common burden of taxation under those circumstances.

As a result, with a 3-percent pay-roll tax certain States will be able to pay higher benefits than other States. The effect of this would be migration of labor from one State to another to take advantage of higher benefits. The only way to avoid this migration would be for some States to impose a tax of more than 3 percent. This, however, would place industries in those States in a disadvantageous competitive position.

(3) Government employees should bear their share of the costs. If there is this enormous number of public employees, all over the country, all of whom are pretty well fed under this system, this tremendous bureaucratic system we are having here, why shouldn't they pay their share? The poor men working in our plant are not as well off as these Government employees. Why shouldn't they pay their part?

(4) Elimination of firms employing less than 4 employees is discriminatory. One of the speakers referred to that this morning.

(5) The bill covers only about 50 percent of the gainfully employed or about 25 million out of 49 million gainful workers. If the bill had been in effect during the depression, it would have covered in 1933 only about 16 million workers, according to the Committee on Economic Security, that is, about 9 million would have dropped out of the scheme and become a direct charge on the State.

(6) If the bill had been in effect in 1929, the income from a 3-percent pay-roll tax under the provisions of this bill would have amounted to over one billion. In 1932 the income would have declined to about \$560,000,000. When the need is greatest, income is smallest and insignificant compared to needs.

Senator CONNALLY. We are going to build up reserves, aren't we? That is true of your business too? When times are prosperous you make more, and when times are hard you make less?

Mr. HOOKER. We would have shut down before this if we had not built up reserves, and the reserves are now gone.

Senator CONNALLY. That may be, but——

Mr. HOOKER (interposing). But you will have to build up 75 billion dollars—astronomical figures.

Senator CONNALLY. I do not think so.

Mr. HOOKER. That is what it calls for.

(7) The proportion of workers covered would vary from State to State. In some agricultural States only one-fourth of their workers would derive benefits under the plan, while in the highly industrial States as much as three-fourths of the workers would be covered. This situation would be inequitable.

Essentially this bill is an outstanding type of class legislation. It selects from our total gainful population a special group and gives it unemployment benefits as a legal right, while the remainder of the gainfully employed would be compelled in times of unemployment to submit to a test of need in order to obtain relief.

Senator CONNALLY. You are complaining it does not include everybody. Do you favor putting anybody under it?

Mr. HOOKER. I certainly would not. I would not favor even putting these under. Do not misunderstand me, Senator. I am heartily in sympathy with the purposes and spirit of this bill, and I carry this thing out in my works to the last degree and I have no watered stock in my company and I do not have to pay dividends on anything that should not be paid in.

Senator CONNALLY. That is fine.

Mr. HOOKER. And I am trying to carry these things out and I am in sympathy with this, but I want you men to know that business can only carry so much.

Senator CONNALLY. That is all right. You are in favor of the principles but against the bill.

Mr. HOOKER. I am decidedly against the bill.

Senator CONNALLY. It does not help us any to be in favor of the thing on principle. It does not help an employee out of work just to sympathize with him.

Mr. HOOKER. I think this bill should be carefully studied and the conditions of everything in it should be taken up and will be taken up gladly by industry.

Senator CONNALLY. That is why we are here today.

Mr. HOOKER. And that is why I am here too, in order to give you what help I can.

The beneficiaries under the scheme would not contribute anything directly to its financial support. The tax would be paid entirely by the employer. Ultimately the cost of the plan will be borne by the consumers. Thus the Nation as a whole, including those who do not benefit, would be paying special benefits to a selected economic group, who are singled out for special treatment not on any basis of social justice or unusual hazards but purely on the basis of administrative expediency.

A particular serious problem in connection with unemployment insurance is the lack of an administrative apparatus. No matter how good the provisions of the law may be, its effects will be injurious without an efficient and honest administrative personnel. This cannot be created overnight.

The proposed bill will not help any of the people who are now employed. Of course that is clear.

Senator CONNALLY. It would not help any of them?

Mr. HOOKER. Any that are now unemployed. It will help future unemployment but not present unemployment. Ten years from now it would be helping somebody.

Senator CONNALLY. We are legislating for the future.

Mr. HOOKER. We hope this depression is not going to last. Those who are now employed, representing the cream of the labor force, do not seem in danger of unemployment in the near future and their need is not imminent. I see no reason, therefore, to rush the bill through the Congress without the most mature study and fullest discussion. My recommendation would be to postpone definite action in regard to this fundamental proposal of social reform and to appoint a joint congressional committee to study the matter fully and propose legislation at some future session of Congress.

That is very unpopular with the chairman, because that is just what the previous speaker suggested.

Senator CONNALLY. It is perfectly natural than anybody against anything is in favor of delaying it.

Mr. HOOKER. I am very much for this kind of thing. I am carrying it out in my works, but I know what industry is trying to do and what they are going to feel.

Senator BLACK. I want to see if I understand your statement. Do you mean you are for legislation to bring this about, or do you believe in letting the employers bring it about themselves individually?

Mr. HOOKER. I am perfectly glad with an open mind to consider legislation, just as soon as a time in the future that we will be out of this present mess and dealing with our present problems, just as soon as the thing can be brought to a calm and reasonable basis, because everything that is in this bill I want to see put in my plants, either through legislation or without it.

Senator BLACK. There are a great many employers, Mr. Hooker, that I think you are familiar with, who have very altruistic motives themselves, and have exceptionally fine plants for their men and pay excellent wages and provide wonderful assistance of reserve. I know some of them myself. Perhaps you realize better than I do, being in business, that that does not help those who do not do that.

Mr. HOOKER. Yes, I realize that Senator, and I am in sympathy with you.

In regard to old-age pensions I must confess that I am bewildered by the magnitude of the scheme and by the multiplicity of suggestions already made for amending the bill as now stands. I understand that in 1930 there were 6,500,000 persons 65 years of age and over. This represented 5.4 percent of the entire population. The report of the Committee on Economic Security estimates that persons in this age group will account for 6.3 percent of the total population in 1940; 9.3 percent in 1960; and 10 percent in 1975. We are constantly increasing our age limit.

To take care of the aged the bill proposes the establishment of two types of old-age pensions—noncontributory and contributory.

Noncontributory pensions would be provided for persons who are already superannuated or who will shortly become so, and for those who unexpectedly find themselves without means in old age. The

cost of these pensions would be borne by the Federal Government and the States in equal proportions, provided that the share of the Federal Government is not more than \$15 per month per individual. These pensions would be payable on the basis of need.

The cost of noncontributory pensions to the Federal Government is estimated by the Committee on Economic Security at \$136,000,000 in the first year and at \$1,294,000,000 in 1980, if a compulsory system of contributory pensions is not established. If a compulsory system is established by January 1937, the cost to the Federal Government by 1980 will be less than 40 percent of the estimated amount, or about \$520,000,000. The States would carry an equal burden.

The system of contributory pensions would be applied to all manual workers and to nonmanual workers earning less than \$250 per month, with the exception of Government employees and persons covered by the Railroad Retirement Act. The cost of this scheme would be met by imposing a tax on pay rolls, one-half of which would be paid by the employer and the other half by the employees.

The bill before you provides for a tax commencing on January 1, 1937, at 1 percent of the pay roll and increasing to 5 percent of the pay roll in 1957. The Committee on Economic Security estimates that under this scheme income will exceed payments until the year 1965 when the reserve will amount to \$15,250,000,000. After 1965 it is proposed that the Federal Government should make up the difference between receipts and payments in order to maintain the reserve at that level.

The income from contributions and interest on the reserve will amount to \$2,200,000,000 per year by 1980. The contribution of the Federal Government by 1980 will amount to \$1,400,000,000 per year. To meet the annual cost of the compulsory scheme in 1980 there will thus be available \$3,600,000,000. In addition, the Committee on Economic Security estimates that the cost of noncontributory pensions will be about \$1,040,000,000 in which the Federal Government and the States will share equally. Total payment on account of pensions in 1980 is thus estimated at \$4,640,000,000.

The plan which is proposed to you is not solvent. To make the contributory scheme actuarially solvent it would be necessary to accumulate a reserve of \$75,000,000,000, according to the Committee on Economic Security. The Committee realizes the difficulties involved in connection with the building up and investment of a reserve of this size as well as that it would impose an unfair burden on the younger members of the present generation. You would put 5 percent on the present generation.

Senator KING. I would like to ask for information, because I am rather bewildered when you get to those astronomical figures.

Mr. HOOKER. We are all bewildered.

Senator KING. In view of the fact that there will be so many who will not make contributions to this involuntary assessment, in view of the fact that the number who will make contributions will be, to my way of thinking, only a fractional part, perhaps 50 percent or more of all of those who are employed and who will need support after they attain that age, I do not see how it is possible to accumulate a fund of such magnitude. It seems to me it will be in the red most of the time. I am not at all satisfied that those actuarial figures if they are actuarial figures, rest upon any sound computation or any rational basis.

Mr. HOOKER. Senator, that is why I want this thing studied and studied and studied, and not a 6-months' study or anything like this, involving \$75,000,000,000 capitalized, when it only represents half of the people, and it might be \$150,000,000,000 if it took in the other half. It is a thing which should be worked out in the calm and quiet of a different time from this.

On the other hand, the committee admits that in its present form the plan will impose a terrific burden on future generations. They found themselves between Scylla and Charybdis, and they recommended to the President a plan which is not perfect and which presents immense difficulties.

In 1980, that is 45 years from today, persons 65 years of age and over would receive an annual sum of about \$4,600,000,000. Forty-five years from today—think of it. I am buying power under contracts that have 50 years to run. Forty-five years is nothing. It will be on us before we know it.

Senator BLACK. Not all of us.

Senator KING. We hope you have immortality. [Laughter.]

Mr. HOOKER. Senator, you are talking to probably the average common or garden-variety of employer who will have to pay this bill. I think I represent a fair cross-section of the man who has built up his own business, is trying to run it, has a deep interest in his employees, more than in anything else in the world, and who wants to keep his business running so that he can keep on employing his employees, and who has not let one man go during the depression and who has lowered the salaries of his employees less and brought them back first, with the officers of his company going down first in their salaries and not having yet been restored. That is the way we care about our labor.

Senator HASTINGS. I do not think you have in the record how many employees you have.

Mr. HOOKER. I am representing 275,000 employees in the chemical industries. I have 600 in my own plants.

Senator CONNALLY. You say you are the type of employer who has to pay that bill. Wouldn't you be able to pass any of that on to the consumer?

Mr. HOOKER. Senator, not so long ago you passed a bill down here called the N. R. A.—

Senator CONNALLY (interposing). I did not pass it; I did not vote for it.

Mr. HOOKER. Excuse me for saying that you did, Senator; I apologize. Under the statements that were made at that time, I was informed that if I met the requirements of that bill, that the large added cost—we were then in the red—that the large added cost would be passed on to the consumer and we could raise our prices accordingly and that it would be of course expected that that would be done.

Senator BLACK. Who told you that?

Mr. HOOKER. Everybody. The spokesman at Washington—whatever that is.

Senator BLACK. I am just interested in knowing who actually said that.

Mr. HOOKER. That was in the papers all over.

Senator BLACK. I made that statement on the floor and it was denied to me. I was objecting to it on the ground that they would pass it on, and I was told that that was not the object.

Mr. HOOKER. You may rest in peace, Senator, because they did not pass it on.

Senator BLACK. Is your business better now than it was then, or worse?

Mr. HOOKER. The amount that we had to pass on to our pay roll—the amount that we had to add to our pay roll at that time—was supposed to be made up by an increased price in our products. Not one single nickel were we able to raise our prices, and every attempt we made to raise our prices was discouraged.

Senator BLACK. That is fine.

Mr. HOOKER. No; it is not fine when you know what our earnings are. Not if you want to get any of this money to pay these bills with.

Senator BLACK. Is your business better or worse?

Mr. HOOKER. It was larger in volume and worse in earnings.

Senator BLACK. How much larger in volume?

Mr. HOOKER. The business is quite largely increased in volume.

Senator BLACK. Is it two or three times as much?

Mr. HOOKER. It is twice as large, and we are making no more money than we did when we were half as large.

Senator CONNALLY. But that volume did give increased employment? It made more men busy?

Mr. HOOKER. Oh, yes; we are running, and we are running a machine that is marking time.

Senator CONNALLY. In fairness to the N. R. A., if it did even that, it did increase employment.

Mr. HOOKER. The only point I want to make here is that we are not able to pass it on at all, and we had that added expense; of course, with a much larger volume we should be making a great deal more money.

Senator BLACK. What did you make this year?

Mr. HOOKER. If you would like me, I will be frank with you——

Senator BLACK (interposing). I do not care to ask you if you do not care to state.

Mr. HOOKER. I will be glad to tell you.

In 1980, that is 45 years from today, persons 65 years of age and over would receive an annual sum of about \$4,600,000,000. This figure is scarcely comprehensible. Since the birth of Christ there have been just about 1 billion minutes. The significance of this figure may perhaps become apparent if we compare it with the share of national income going to some of our major economic groups.

This figure is 18 percent higher than the total income of the 11 million people engaged in farming in 1933. It is 119 percent higher than total dividend payments in the same year. It amounts to almost 90 percent of total interest payments in this country, including interest on about \$50,000,000,000 of public indebtedness, Federal, State and local.

Senator BLACK. That is, \$1,400,000,000?

Mr. HOOKER. Yes.

Senator BLACK. Do you have figures to show that is \$100,000,000 less than 500 men received in income in 1929?

Mr. HOOKER. I do not know anything about those astronomical figures. The taxes in this country are paid by about 10 percent of the people.

Senator BLACK. They are the people that get most of the income.

Mr. HOOKER. You must preserve that 10 percent. I claim that I am a typical dray horse in this proposition of trying to make some taxes with which you will have a fund to spend here in Washington for Government maintenance.

I think that we need more time and more factual information to understand the implications of the plan here proposed. The bill which you are considering would not help the unemployed, and it would not be of much value to the workers who are now employed. Contributions for old-age pensions would not begin until January 1937. There is no need, therefore, for rushing the bill through in such a hurry. As a matter of fact, I am convinced that the people whom it is intended to help would be greatly benefited by a more intensive study of the scheme here proposed and all its implications.

In particular, I should like to urge you not to impose special burdens on industry at the moment when it is trying to pull itself out of the worst depression in its history. Any measure which raises costs is detrimental to recovery. The bill you have before you now will eventually place a burden on business equivalent to over 17 percent of the pay rolls affected.

My proposal to you, therefore, is to appoint two joint congressional committees, one to make a comprehensive study of the question of unemployment insurance or compensation and the other to investigate fully the problems of old-age dependency and the best measures for its relief. In the meantime, emergency measures should be devised to take care of the unemployed and the aged who find themselves without adequate means of support.

Twenty-five years ago, here and there in Europe, and particularly in England, were outstanding examples of enlightened self-interest on the part of employers in their relations with labor. Present-day examples, such as Seeborn Rowntree, and the industrial garden cities in England, and Duchemin in France, will serve to illustrate this point. During these last 25 years, such individuals have multiplied in America, until this country is outstanding beyond all other nations and any other time in generous interest and action in regard to social security. Industry has graduated from paternalism to the basis of generous dealing as a matter of right and reason. There has never been a time when these relationships between capital and labor were as close and as understanding as they are here today, and no one should question the steady upbuilding of employee's security in progress today here in our midst without governmental intervention.

I speak of this because such acquaintanceship as I have with the American industrialists convinces me that these men are completely in sympathy with any sound and reasonable advance along the lines which are assumed to have inspired this bill and which would be practicable for industry and the Government to carry out.

It is estimated that these proposals would eventually put a total burden on business of something like 17 percent of its pay roll; the Federal corporation tax alone today, even on relatively modest industries, is upwards of 12 percent on their income.

Business in general showed a net loss in this country in 1933 of \$4,000,000,000; in 1932 the loss was \$9,500,000,000; in 1931 it was \$8,600,000,000; and in 1930 it amounted to \$5,100,000,000 according to Government figures. Each year the total assets of the Nation were reduced by these staggering amounts.

Referring to a small business enterprise which I founded and in which I am responsible for paying these Government taxes, we have reduced the modest salaries of executives, cut out common-stock dividends and later preferred-stock dividends and then reduced wages last of all for a short period. We then reinstated wages first and at the same time kept all employees at work and materially increased the number of employees by increased volume. We have found ourselves with a net loss of a quarter of a million 2 succeeding years, and now under these tax burdens, having reinstated labor's pay, are only earning about the interest on the preferred stock, while the officers' salaries remain at the reduced figure. That example is considered one of the less drastic types of punishment which business has suffered of late years, and just how would such a business as that continue to pay taxes to the Government if it were to have loaded upon it such additional burdens as are here proposed.

Your committee has before it proposed expenditures for the maintenance of Government of about \$4,000,000,000 with an income of a similar amount. On top of that you are asked to appropriate \$4,800,000,000 for work as emergency relief, unbalancing the Budget by that amount. The security matters we are discussing today are proposed to be added to this burden, which in turn is added to industry's present tax load of today.

Our generation found itself in a war in which we increased the public debt by \$27,000,000,000. We are also responsible for \$9,000,000,000 of foreign private loans of doubtful security. Our generation has been responsible for the contracting of \$10,000,000,000 of war debts as yet unpaid. For myself, I am unable to see how this financial burden is anything but the burden of our own generation. Our children and grandchildren will have their wars and their depressions to pay for, and if we pass on to them the cost of our war and our depression can anyone, from a reasonable point of view, assume that it is fair on top of that for us to indulge our desire for what we would like to do in welfare work unless we pay for it ourselves? They will have their own ideas of what they want to do and they have every right to indulge their generous impulses about these things, but we have no right to foreclose their opportunity to do so. From my point of view, we have an immediate emergency which we must meet with emergency taxation and emergency payments to the unemployed and should pay for it within our own generation.

After we have done so and taxed ourselves for it, then is the time for us to consider whether we can afford to do these wholly desirable but extraordinarily expensive things and pay for them ourselves.

Senator KING (acting chairman). Thank you very much. Is there anything else you wish to submit?

Mr. HOOKER. So much for that rather dry document.

As an American business man of the smaller type I feel that we come before you Senators of the Finance Committee as the only people who can protect us in business from the danger of having our business ruined and our possibility of earning taxes for the Government destroyed.

I would like to say a few words about that from the depths of my own experience. Four years ago my company lost \$250,000; the next year it lost \$250,000. The next year it made less than the interest on its preferred stock. This year just finished it made the interest

on its preferred stock. There is no water in this company; it is an integral unit of the chemical industry. By conference with my competitors, I find that we are doing as well as they are. Our industry in general is considered one of those which have been in the most advantageous position; we have not suffered as drastically as others have. I only know of our own experience.

Senator KING. What is the product of your plant?

Mr. HOOKER. Heavy chemicals. So far as I know, for each \$5,000,000 units of honest investment in our kind of business, the earnings over the last 4 years available for dividends, for any increases in salary, or the restoration of salary, or to pay special payments to very successful executives or anything of that kind, for common stock dividends—after a business has been operating for 30 years and has built up a great goodwill, it certainly should be entitled to earn something besides the interest on its preferred stock. Per \$5,000,000 unit in that kind of business, so far as I am able to ascertain, ourselves and our competitors have had \$100,000 a year of net profits.

Senator BLACK. What did you have in 1929?

Mr. HOOKER. Nothing very large.

Senator BLACK. How much? Can you tell me?

Mr. HOOKER. Per \$5,000,000 of investment?

Senator BLACK. No; what was your company's profit in 1929?

Mr. HOOKER. I should think that \$400,000 or \$500,000 was the maximum.

Senator BLACK. What was the capital stock?

Mr. HOOKER. The capital stock is about \$5,000,000.

Senator BLACK. Did you have any holding company or is your company independent?

Mr. HOOKER. Independent.

Senator BLACK. You have no subsidiaries?

Mr. HOOKER. A completely independent company, and I own 50 percent of it.

Senator BLACK. What were the highest salaries and bonuses paid at that time?

Mr. HOOKER. We never paid any bonuses, but they have, and they did not amount to very much. Maybe \$20,000 or something like that. My salary was \$35,000 a year.

Senator BLACK. That was the highest?

Mr. HOOKER. It is now reduced by two 20-percent reductions.

Senator BLACK. You never did go in like some of them did with \$200,000 or \$300,000 salaries?

Mr. HOOKER. Never did and never had any use for it.

Senator BLACK. From your experience as a business man, do you think that those \$200,000 or \$300,000 salaries or \$1,000,000 bonuses and salaries are helpful or detrimental to business?

Mr. HOOKER. I never agreed with Senator Norris that \$7,500 was the most salary that could ever be earned by an honest man under any conditions. The kind of strain that business men carry and the great burdens of mind that they do carry call for a certain salary away beyond that. I remember when Senator Norris was making that remark to us in the Agricultural Committee, Senator, that Senator Underwood sat there by the side of the table and he was paying his superintendent \$50,000 a year, and on the other side of the table sat another one of the Senators who was paying the superintendent of his utility company. \$50,000 a year.

Senator BLACK. That was the Muscle Shoals hearing?

Mr. HOOKER. Yes.

Senator BLACK. You testified in that, as I recall?

Mr. HOOKER. Yes; I want to say to you Senators, because I think this is the right opportunity, that the way we are staggering under 12 percent of income tax and cannot earn \$100,000 on a \$5,000,000 investment net, is something that none of you would be satisfied with. You know that business could not go on in that way.

Senator BLACK. Do you believe in an excess-profits tax?

Mr. HOOKER. I do not believe I do.

Senator BLACK. If we had for instance, some evidence to show that some companies have made 3 or 4 or 5 thousand percent a year on their investment, do you think they should be required to pay an excess-profits tax?

Mr. HOOKER. I think you get a lot of misinformation.

Senator BLACK. That was not misinformation; that was taken from their books and they swore to it.

Mr. HOOKER. You can only ask me questions about legitimate and normal honest business.

Senator BLACK. That is what we are trying to do.

Mr. HOOKER. I am talking to you from that standpoint, and I say this, that when we realize that the Senate Finance Committee is the only body we know of to protect us from such expenditures as are going on now through Washington in the power field, you will see why I feel that I ought to appeal to you.

Senator KING. I think perhaps the forum to which you should appeal rather than the Finance Committee is the Committee on Ways and Means of the House.

Mr. HOOKER. No, Senator. These expenditures that are called for here are on top of other things such as this. The administration has asked to build the St. Lawrence Canal. They have asked to develop 900,000 horsepower on the St. Lawrence when there is 400,000 horsepower in Canada that cannot be sold, and 200,000 horsepower in New York State that cannot be sold.

Senator CONNALLY. That does not relate to old-age pensions?

Mr. HOOKER. That puts a tremendous burden on us.

Senator BLACK. Your company could not have gone many years if it had continued like it was going in 1930 and 1931?

Mr. HOOKER. No.

Senator BLACK. That was impossible, the object in business being to make a profit.

Mr. HOOKER. Yes.

Senator KING. Is there anything else you want to submit?

Mr. HOOKER. I only want to appeal to you not to put the burdens on business of building these power plants in the Columbia River Valley and in the Tennessee Valley and in the St. Lawrence Valley. We cannot stand it and we cannot pay for it.

Senator KING. Our committee does not deal with that.

Mr. HOOKER. You are dealing with passing those bills.

Senator CONNALLY. You are not in the power business?

Mr. HOOKER. I am a consumer. I am a victim of the power business if there is such a thing.

Senator CONNALLY. If you get cheaper power, that will be all right for you.

Mr. HOOKER. Not if you destroy the power companies.

Senator CONNALLY. These others will take their place.

Mr. HOOKER. Not if they do not last.

Senator KING. At this point in the record, I am placing a memorandum submitted by Prof. Paul H. Douglas of the University of Chicago.

UNEMPLOYMENT INSURANCE FEATURES OF THE WAGNER-LEWIS BILL FOR SOCIAL SECURITY. (S. 1130; H. R. 4142)

By Prof. Paul H. Douglas of the University of Chicago, Department of Economics

I am in hearty agreement with the general purposes of this bill. It is impossible to rely exclusively upon State action if we are to protect the aged poor and those thrown out of work by unemployment and through no fault of their own. For each State will be reluctant to levy an extra assessment upon the employers within it confines lest in doing so it should place these enterprises at a competitive disadvantage in comparison with employers in other States which do not have to pay such taxes or contributions. The tendency, therefore, is for the States to hold back and for much-needed social legislation to be prevented or at the least greatly delayed.

It is greatly to the credit of the administration that it has seen this fundamental difficulty and that it proposes to have the Federal Government attempt to get united action on much needed types of social security. If I must criticize some of the details of the bill as presented, I do not want to be understood as attacking the primary purposes which it seeks to fulfill. On the contrary, as one who has been advocating unemployment insurance and old-age pensions for at least 15 years, I heartily approve of the general aim of this program. I believe, however, that these fundamental purposes could be effected better if certain vital changes were made in the bill, more particularly in those sections dealing with unemployment insurance.

I. THE COMPARATIVE UNDESIRABILITY OF THE OFFSET METHOD

Choosing to adopt a Federal-State system rather than an outright Federal law, the method which is proposed of obtaining favorable State action is that of a tax offset. The Federal Government imposes a tax on pay rolls which by 1938 must amount to 3 percent. In States which pass unemployment insurance laws employers are then permitted to have the amounts which they contribute to the State systems credited as an offset against the Federal tax up to 90 percent of the latter amounts. If a State passes such an unemployment insurance act, it does not, therefore, impose any additional expense upon its employers but merely permits these enterprises to make their contributions to a local fund which will relieve the local unemployed instead of these moneys going to Washington and possibly being spent on entirely different objects.

This plan is most certainly ingenious, but in my opinion it is vitally defective in a number of important features:

(1) The bill lays down very few standards to which the State systems will have to conform to in order to be credited with the offsets. This was apparently because of the fear that if many such standards were set up, the act might be declared unconstitutional on the ground that it was using the taxing powers for a purpose which was primarily if not exclusively regulatory. As a result, the act leaves a State free to enact almost any kind of unemployment-insurance system which it wishes, subject to a few simple rules governing eligibility for benefit and to the requirement, under the distribution of the residual funds for administration, that the personnel of the State services be on a merit and nonpolitical basis and that the benefits must be paid out through the State employment offices.

But no standards are set on such vital matters as (a) the minimum or maximum length of the waiting period; (b) the minimum or maximum length of the benefit period; (c) the average percentage of weekly wages to be paid in benefits; (d) the minimum and maximum weekly benefits; (e) provisions for part-time employment; (f) whether plant reserves, industry reserves, or State-pooled funds are to be used; (g) the salary limit for including nonmanual workers. While some variation and experimentation between the States may be desirable, it is apparent that under the method proposed a bewildering variety of provisions is likely to result which will give widely varying degrees of protection to workers in different States.

(2) The bill in its present form does not make any provision for the wide differences in unemployment between the various States. Thus in April 1930 when the average percentage of unemployment among the nonagricultural workers was 8.5 percent for the country as a whole, the average for Michigan was 13.9 percent; for Rhode Island 11.2 percent, Montana 10.7, and for Illinois 10.1 percent. On the other hand, the average in South Dakota was only 3.9 percent.¹ In other words, there was almost four times as much relative unemployment in the State with the highest percentage as in that with the lowest. If the 4 years from 1930 to 1933 are taken as a whole, the actuaries of the Committee on Economic Security estimate the average for the country as 25.8 percent. Michigan, which was again the high State, however, had an average of 34.3 percent while Georgia, the lowest State, had an average of 17.0 percent.² Here the highest State had a volume of unemployment which was relatively twice that of the lowest.

It is apparent, therefore, that under the proposed bill, if each State levies the assessment upon employers of 3 percent, which it is hoped that they will, the amount of benefit which can be given will vary greatly from State to State. States with a high volume of unemployment will be able to pay only a few week's benefit to their unemployed while those with a low volume will be able to provide much more. There will be no justification for any such treatment. The unemployed in the States where the benefit period is short will be just as innocent as those where it is much longer. There is, in fact, no justifiable reason for penalizing them because of the accident of their location.

(3) The proposed bill will also result in 48 different sets of central records and probably in a bewildering variety of forms and administrative procedure. Anyone who has spent any time studying the handling of the central records of the British system at Kew will realize the necessity of a relative concentration of these records in at least large districts. There is good evidence to indicate that most States are too small administrative units to handle this work effectively.

(4) The proposed bill makes no provision for those workers who acquire eligibility in one State and who on moving to another become unemployed. It, therefore, largely leaves migratory workers out of its protection. The numbers of this class are, in absolute terms, fairly large. And many of them need protection against unemployment more acutely perhaps than any other group. Yet the present bill, by making eligibility occur exclusively within a State and not the country as a whole, debars this class from aid.

(5) The proposed bill, so far as its "offset" features are concerned, will be ineffective in enforcing such few standards as it prescribes for the States. If a State violates any of these standards, the only way the offset provisions can be used will be to declare that an employer's contributions to a State fund will not be credited against the Federal pay-roll tax. If this were done, the employers would have to pay double. In practice, the Federal authorities would be almost completely unwilling to invoke such a severe penalty against private parties who would not have been guilty of any offense. In practice, therefore, the offset features would be almost completely ineffective in maintaining uniform standards on these few points now covered in the bill. Nor could they be used to lay down further standards in the future.

A greater degree of control can be exercised by the Federal Government through the 10 percent of the pay-roll tax which it retains, and then presumably redistributes to the States in order to provide for their administrative cost. These sums can be withheld if the States do not conform to proper standards of personnel. This is important, but it should be noted that it is effected only by abandoning the offset feature so far as this part of the funds is concerned and resorting to an outright Federal subsidy plan.

(6) In practice, employers will have to make two sets of contributions. The first will be to the States under the State unemployment insurance laws. The second will be to the Federal Government for the three-tenths of 1 percent of the pay roll which is to be used, through redistribution, for administrative expenses (secs. 406 and 602). There will be some extra difficulty imposed upon employers in paying their contributions to two different sets of officials.

(7) Perhaps most important of all is the fact that the offset law will tend to confine not only the present but the future financing of unemployment insurance to a levy upon pay rolls. For such is the nature of the Federal tax. A State cannot, therefore, obtain offsets for its citizens if it wishes to finance a portion of

¹ Supplement to the report to the President of the Committee on Economic Security (1935), pp. 5-6.

² Idem.

the costs from income or excess-profit taxes. These could not be offset against a Federal tax on pay rolls since they would not fall exclusively on the same persons or to the same degree upon identical persons.

It may well be held by some, however, that a portion of the costs of standard benefits should be met by taxes upon those who can best afford them and which will not either be shifted backwards to the workers or forward to the consumers. The offset method prevents this method of financing from being used within the range of protection afforded by the pay-roll levy.

There are also many who, while they would be initially willing to finance unemployment insurance from a pay-roll tax would wish to have some of the financing later shifted toward income and excess-profits taxes or at the very least would like to have this possibility left open. But this cannot be done so far as the basic protection is concerned as long as the principle of offsets against pay rolls is retained. The proposed measure, therefore, forecloses future as well as present recourse to these other methods of finance. For all these reasons, therefore, the offset feature, while better than no Federal action at all, is seen to be clumsy and comparatively ineffective.

II. A NATIONAL SYSTEM OF UNEMPLOYMENT INSURANCE

From the economic and administrative standpoints, there can be little doubt that an outright national system of unemployment insurance, under which the Federal Government would at once collect the money and disburse the benefits would be superior to any other system.

1. It would provide a uniformity of rules and provisions for the country as a whole.
2. Administrative records could be relatively centralized and a standardization of forms effected. The country could be divided into some eight or ten administrative districts, each of which would have a set of central records.
3. Migratory workers and those transferring from one State to another would not lose their claim to benefit.
4. Since the insurance fund would be Nation-wide in scope, a uniformity in benefits would be provided. The unemployed in States with high unemployment would not be penalized because of the accident of residence, but would share equally with all.
5. There would be no problem of keeping the localities up to minimum standards, since this would follow from the fact that the administration would be in central hands.
6. Employers would make their contributions to only one governmental agency.

7. The Government could, if and when it wished, use other methods of financing the payment of unemployment benefits in addition to the levy on pay rolls.

I presume that the objections which are chiefly advanced against such a national system are primarily constitutional and (in the better sense of the term) political. I am not a constitutional lawyer, but it should be noted that the bill properly calls for a national system of old-age annuities in which the contributions of employed persons and of employers are paid into a Federal fund. This is the only practicable way of handling this situation in view of the way in which many people move from State to State during their working life. But what I chiefly want to emphasize in this connection is that the drafters of this legislation evidently believed that such a national system of old-age annuities would be constitutional. If this is so, there would seem to be at least equal reason to believe that a national system of unemployment insurance would also be constitutional.

In fact, the case for the constitutionality of a national system of unemployment insurance would seem to be appreciably stronger than that for old-age annuities. For old-age annuities will be paid steadily, irrespective of whether we are in periods of prosperity or depression. Unemployment insurance benefits, however, will be paid out primarily in periods of depression. As such they will consequently serve to build up and steady consumers' purchasing power during such depressions and hence decrease their severity. The prospect of benefits will, moreover, lessen the hectic savings of the working classes during the early stages of a depression and will lead to a better distribution of these savings over longer periods of time. The decrease in the demand for consumers goods and services at such periods and the piling up of idle savings in banks where they are "sterilized" will, therefore, be lessened and a further cumulative cause of depressions will be reduced.

It would seem to me, therefore, that a national system of unemployment insurance can be defended constitutionally on the added ground that it helps to protect

the integrity of commerce and trade as a whole and that it thus falls within the power of Congress "to regulate commerce * * * among the several States," and the implied powers which were stressed by the great jurist John Marshall as falling within the provision that Congress could "make all laws which shall be necessary and proper for carrying into execution the foregoing powers."

Furthermore, if there is still any doubt as to whether a national system of unemployment insurance would be declare constitutional, I would suggest that this can be lessened by Congress passing two acts instead of one. The first could collect the funds; the second could outline the benefits. Congress would certainly have the power to tax in this way. There are, moreover, almost no limitations upon the spending powers of Congress, so that the payment of unemployment benefits would seem to be above legitimate criticism as constitutional. Even if a national system of unemployment insurance were to be declared unconstitutional, if these two features were to be joined together (which I do not believe) I suggest that it should be able to run the constitutional gamut if they were put asunder.

I do not feel competent to pronounce on the broader political aspects of a national system of unemployment insurance, but I believe that the Congress of this country is well able to pass upon such considerations and if they decide that it is proper from this standpoint, I would be more than willing to accept their judgment. From the administrative and economic aspects of the problem, a national system would most decidedly be superior.

III. A FEDERAL TAX REMISSION SYSTEM

If it should be decided, however, that an outright national system was not practicable or expedient, a Federal tax remission plan would be preferable to the offset method. Under the tax remission plan, the Federal Government would levy taxes to collect the necessary funds and it would then distribute these sums back to those States which passed satisfactory unemployment insurance laws. Such a system would have distinct advantages over the tax offset method.

1. It would permit more thorough-going and adequate standards to be laid down as a basis for State action.

2. By withholding a portion of the sums collected for a national reinsurance fund, aid could be given under proper controls to those States with relatively high unemployment so that a uniformity of minimum benefits could virtually be assured to the unemployed of all States. Judging by the experience for the years 1930-33, it would seem fairly safe for the Federal Government to retain one-third of the total receipts for such purposes and for those mentioned in the next paragraph.

3. With such a central fund, it would be possible to take care of those workers who transferred from one State to another.

4. The Federal Government would have a much greater possibility of keeping the States up to satisfactory standards, since it could simply refuse to remit the taxes if a State failed to carry out the proper administration of the plan. Uniform records, etc., could rather easily be obtained.

5. Taxpayers would have to contribute to only one agency, namely, the Federal Government, instead of to two. The Federal Government would subsequently remit these taxes.

6. The way would be left open for other sources of revenue than the pay-roll tax to be used if and when, in the judgment of Congress, this became desirable. A portion of these taxes could be remitted between the States in the precise proportion in which they were collected, while another portion could be distributed according to the relative ratio of unemployment.

IV. OTHER SUGGESTIONS IN THE FIELD OF UNEMPLOYMENT INSURANCE

1. The provision that the maximum assessment against the pay rolls shall not exceed 3 percent seems much too cautious. The actuaries attached to the President's Committee on Economic Security have estimated, on the basis of the 1922-30 experience, that such an assessment (when combined with a 4 weeks' waiting period and benefits equal to 50 percent of the wage, subject to a maximum weekly benefit of \$15) would only provide for 15 weeks of benefit and if a 3 weeks' waiting period were used, for only 14 weeks of benefits.³ This is very inadequate, particularly in view of the failure of the bill to make any provision for those who

³ Report to the President of the Committee on Economic Security, p. 13.

will exhaust their claims to standard benefits but still be in need. While this benefit period may be extended in some States by levying a small contribution upon the employees, it is not certain how many will adopt this method. Such a policy is, moreover, opposed by large and influential sections of popular opinion.

If a pay-roll tax is, therefore, to be used as the exclusive method of raising funds, it would seem wise to increase the maximum assessment to 4 percent. According to the actuaries, this would provide 24 weeks of benefits with a 4 weeks' waiting period, while if the waiting period were reduced to 3 weeks, 21 weeks of benefits could be paid. In other words, by increasing assessments by one-third, the length of the benefit period could be extended from 50 to 60 percent. Nor would this constitute too heavy an ultimate burden upon industry. An assessment of 4 percent upon the pay roll would amount on the average to only around nine-tenths of 1 percent of the sales value added by manufacturing, although the ratio would be higher in the service trades. It should also be remembered that the added 1 percent could be met by the Federal Government itself from taxes imposed on the upper income brackets and upon excess profits.

2. The bill is much too cautious in levying a tax of only 1 percent upon pay rolls if the index of production for the years ending October 1, 1935, and October 1936, does not exceed 84 percent of the 1923-25 average, and only 2 percent if the index is between 84 percent and 95 percent. These sums will be inadequate and will not accumulate a sufficient fund for protection. I would much prefer to have the assessment 3 percent or 4 percent from the outset, but if this cannot be done, I would suggest that the assessment be fixed at 2 percent if the index of production is less than 90, and if it exceeds this figure for it to be raised to the full amount.

3. As at present drawn, the tax upon pay rolls is levied on the basis of the total amount of the pay roll. I would suggest that this be modified to include only the amounts paid to those who are subject to unemployment insurance. These could be defined as (a) all wage earners and (b) all salaried workers receiving less than \$50 or \$60 per week. In this way the employers would not have to pay, as they should not be compelled to do, for employees who are not under the protection of the unemployment insurance system.

4. The bill is correct in including establishments which employ four or more wage earners. Because of administrative reasons, it would not be wise initially to lower this form of coverage any further. It is probable, however, that certain specific types of employment should be excluded initially because of the low unemployment ratios, excessive seasonal unemployment, administrative difficulties, or political reasons. I would suggest that agriculture and fishing should specifically be excluded in the beginning and also public employees and those employees of religious and charitable institutions employed on an annual salary basis. Some of these classes might be included later.

V. SUGGESTIONS IN THE FIELD OF OLD-AGE PENSIONS

While the unemployment insurance provisions of the bill are most in need of amendment, I would suggest that the maximum amount which the Government would contribute towards old-age pensions be raised from \$15 a month (sec. 7) to at least \$20 a month. In many cases, particularly in urban communities, a total of \$30 a month may not be adequate to provide "a reasonable subsistence consistent with decency and health" (sec. 4).

I think the provision that the States must pay half the cost of such old-age pensions will restrain them from granting excessive amounts in pensions. There is little justification, therefore, in providing that the Federal Government will not give aid in support of pensions which are in excess of \$30 a month. By raising the Federal limit to \$20 a month, pensions running up to \$40 will be made much more possible.

I am not certain that this will necessarily entail a larger appropriation by the Federal Government since the appropriations provided seem to be based upon the assumption that 1,000,000 old people will receive such pensions. This is five times the present number protected by present State old-age pension plans. This estimate seems to me to be exceedingly generous and the added \$5 a month might not necessitate the appropriation of any added sums.

Senator KING. The committee stands adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 1:35 p. m., the committee is adjourned until Thursday, Feb. 14, 1935, at 10 a. m.)

ECONOMIC SECURITY ACT

THURSDAY, FEBRUARY 14, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The Committee met pursuant to adjournment, at 10 a. m., in the Finance Committee Room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. I desire to have placed in the record at this point the corrected testimony of Miss Susan Lawrence Davis, of Washington, D. C., who appeared before the committee on the pending bill, Friday, February 8.

STATEMENT OF MISS SUSAN LAWRENCE DAVIS, WASHINGTON, D. C., REPRESENTING THE TOWNSEND-DAVIS CLYSTERTORY HEALTH TREATMENTS, ATHENS, ALA.; ALSO REPRESENTING MRS. EMMA H. TOWNSEND, CORSICANA, TEX.

Miss DAVIS. Mr. Chairman and members of the committee, I come before you to ask you to revive a piece of social-security legislation that was sponsored at one time by Senator John H. Bankhead, Sr., and which was to be an amendment to a bill that was before the public health committee and introduced in the Senate by Senator Ransdell, of Louisiana. It was introduced on the day that Woodrow Wilson read his 14 peace points, on the 22d of January 1917, and we soon after that went to war in Europe and I never knew what became of that legislation. But I have been on the firing line all the time. Now that the United States Senate, Father Coughlin, and Will Rogers have finished the war, I want to get back to that legislation, Mr. Chairman, and see if you cannot put it into the Economic Security Act.

The CHAIRMAN. Have you got a copy of the bill?

Miss DAVIS. Senator Ransdell's bill?

The CHAIRMAN. Yes.

Miss DAVIS. No, sir; I haven't. I have a copy of the amendment.

The CHAIRMAN. Put that into the record, Miss Davis.

Miss DAVIS. Yes.

The amendment to S. 2215 (64th Cong., 2d sess.) is as follows:

That there shall be established a division of personal hygiene and human sanitation, based on the Townsend-Davis clystertory method (intestinal cleansing), for the prevention of infantile paralysis to the end that the disease be controlled and cured.

That an appropriation for the purchase of said Townsend-Davis clystertory method be made by the United States Government, the sum to be \$1,000,000. That said method be disseminated by bulletins of instruction and personal demonstration to the people of the United States and possessions for the pre-

vention of infantile paralysis and other preventable and curable diseases, cancer, appendicitis, high blood pressure, and the common cold. The common cold alone causes the loss of billions of dollars to the American people every year.

The duty of this division shall be to investigate and encourage the adoption of improved methods of human sanitation and the use of said method in ridding the human intestines and blood of the waste material. The retention of material similar to pus and mucus in the small intestines and stomach is the cause of infantile paralysis and other diseases, and the Townsend-Davis clystertory method removes this cause.

This division shall be known as the "Bureau of Instruction in Hygiene for the Prevention of Disease", and shall be a clearing house for all methods of hygiene, nonmedical, not already recognized, for the conquering of loathsome diseases by instruction in the care of the body. A nominal sum to be charged for said instruction will maintain the bureau.

Miss DAVIS. I would like, Mr. Chairman, to say that Senator Long succeeded Senator Ransdell in the Senate and he has adopted a slogan, "Share our wealth." So I am offering our slogan, "Share our health", and we will share it with all if you help us.

Mrs. Townsend discovered this method and we have developed it for a period of 35 years. We haven't asked for any funds of anybody, nor of the Government, while the physicians have been financed by all the foundations and the Government. Now that she has lived her three score years and ten, I would like to have put in the record what Mrs. Townsend's home paper said about her. Mrs. Townsend, for whom I am speaking, could not come up from Texas.

(The statement referred to is as follows:)

[From the Daily Sun, January 1904, Corsicana, Tex.]

Mrs. Emma H. Townsend left today for Weatherford where a large class in health culture awaits her instruction. In years to come Corsicana will be erecting a monument to this woman, who is just that much ahead of our times in her knowledge of things which, as a benefit to humankind, makes them wiser, healthier, and happier.

Miss DAVIS. At that time I had gone to work for her in the clystertory method, after she restored me from being an invalid.

The CHAIRMAN. I was just going to suggest to you, Miss Davis, that you may put into the record any statement you want in elaboration of your views.

Miss DAVIS. Yes, sir. I first took this measure up with the Economic Security Committee that the President appointed, in order to get it on the bill, and I did not get to see Miss Perkins, nor Mr. Hopkins. I had letters from Senator Bankhead and Mr. Bankhead, but I did not get to see them. I did see Mr. Witte, and he wrote me a letter in which he said that they would not take up any health work in this bill. However, I find that Senator Wagner has put it in the bill, and if it does not put you out too much, I would just like to read this. I had called on Mr. Edwin C. Witte in reference to the endorsement of the clystertory health treatments, and he wrote me as follows:

We are returning herewith the material which you left with us a few days ago. Since our committee, however, has a definite field which it must cover in its report and this does not include public-health activities I cannot see how we can take up this proposal.

But I find that they did take it up in the bill, so that is the reason that I come before you. It is too late to do anything with that committee. The bill you are considering, the Economic Security Act, does take up public-health activities, and I am asking that the Town-

send-Davis Clystertory Health Method be given a square deal under the bill, as well as the regular medical profession. We have cured thousands of people and have taught them how to stay well. We have tested this treatment for 35 years. It does not need any more testing, and with the statistics I can present to you of the illness of our people I am sure this committee will help us. This committee was elected by the people, just as Mr. Roosevelt was, and he will receive your decision in reference to including the clystertory method in this Economic Security Act favorably, I believe, when his attention has been called to the need of it for the security of the men, women, and children. He has pledged himself to do this for them while he is President.

I was sent to Miss Roche by a White House secretary but was told that she could not see me.

My Congressman, Hon. Arthur H. Carmichael, of the Eighth Alabama District, made arrangements for me to talk with Mr. McIntyre, Secretary to President Roosevelt, and he asked me to present the clystertory treatment to him with the endorsements, which I did. Mr. McIntyre wrote me:

I do not believe that the President will endorse a proposal to appropriate public money for the proprietorship in a method for the prevention and treatment of disease when free publication is so frequently made by others of such matters. If you care to make free a detailed publication the method would, I am sure, receive attention from those competent to express an opinion of its general value. In the meanwhile the permission to practice the method given you by Congress in 1929 should assist you in assembling evidence as to such value.

When I was granted that privilege and won my rights to practice through the District of Columbia Committee, I had two of this committee, Senators Capper, King, and Vandenberg to help, who gave me a certificate, and I was permitted to go ahead with my method. Senator Copeland, who is a doctor, agreed with them in conference. Now the "old Republican deal" gave me a square deal, and I am asking the Democratic "new deal" to give us a square deal by adopting this amendment to the Economic Security Act now. Mr. Luther Johnson, Mr. W. B. Bankhead, Mr. E. B. Almon, Mr. Frederick Zihlman, Mr. Frank Bowman, and Mr. Tom L. Blanton won my rights in the House of Representatives

I submitted evidence as to the value of the clystertory treatments to Mr. McIntyre. I will just go a little further back and state that when Senator John H. Bankhead, Sr., first introduced this social-security legislation, he was very careful to make a very extensive and intensive investigation of the merits of this method. He would never have sponsored it had he not done it. On his own private board of investigators he had Dr. John H. Wyeth, Dr. William N. Polk, and Dr. Simon Baruch, who had allowed the two founders, Mrs. Townsend and myself, to demonstrate this method to them. Dr. Baruch is the father of many kinds of water treatments and he said he thought he knew it all, but after he investigated ours he said it was original, it was scientific and effectual. That is what he wrote my Senator. So I feel that Senator Bankhead did not introduce any fantastic legislation.

The CHAIRMAN. Miss Davis, we will give every consideration to it. Have you any other matters that you want to put in the record?

Miss DAVIS. I just want to say this much, Senator. The appendi-

citis record for 1932 is appalling, as given by Frederick L. Hoffman, LL.D., consulting statistician for the Prudential Life Insurance Co. The highest death rate for cities with excessive appendicitis death rates is 46.9 per 100,000, in Salt Lake City, and the lowest death rate, which is in Union City, N. J., is 1.5. No explanation can be given for the differences. Mrs. Townsend, the founder of the clystertory treatment method, and myself, have discovered the cure for appendicitis, and when we reduce the death rate to such an extent it would justify the \$1,000,000 that we ask. That is a small price for what we have done. We ask it because we cannot afford to disseminate it free, and we know of no doctors who have not been financed in some way or other by some foundation of our Government. I hope they will continue to do all the good work they can. I would like to have this list of the cities with these death rates inserted in the record.

The CHAIRMAN. Very well.

(The list of death rates referred to is as follows:)

Cities with excessive appendicitis death rates, 1932

[Rate per 100,000]

Salt Lake City	46.9	Wheeling, W. Va.	35.0
Lexington, Ky.	42.9	El Paso, Tex.	34.3
Oak Park, Ill.	40.4	Greensboro, N. C.	33.7
Nashville, Tenn.	39.0	Jackson, Mich.	33.5
Little Rock, Ark.	38.3	Madison, Wis.	32.7
Portland, Maine	38.0	Savannah, Ga.	31.6
Memphis, Tenn.	37.4	Dallas, Tex.	30.1

Cities with low appendicitis death rate, 1932

[Rate per 100,000]

Union City, N. J.	1.5	Bedford, Mass.	3.1
Altoona, Pa.	2.3	Mount Vernon, N. Y.	3.1
Salem, Mass.	2.3	Pasadena, Calif.	3.6
Akron, Ohio	3.0	McKeesport, Pa.	5.3
Topeka, Kans.	3.0	New Rochelle, N. Y.	5.3

Miss Roche, Assistant Secretary of the Treasury, who is in charge of public health, stated to you in support of this bill before you that the staff of the Committee on Economic Security, created by Executive order, reported to the President that the annual loss to families whose incomes were less than \$2,500, from illness, in wages is \$900,000,000 and in money loss is \$2,400,000,000. The loss from infantile paralysis is appalling. With these statistics before him I know President Roosevelt will not object, as this is a woman's price for the clystertory treatments and only Uncle Sam's pocket change for a few minutes.

Dr. Benjamin Rush, who signed the Declaration of Independence, said that his alopathic school of medicine should not build a medical oligarchy in any country.

In 1931 the number of deaths from appendicitis was 18.13, equivalent to 15.2 per 100,000 population. Regardless of its practical importance, appendicitis has been neglected as a public-health problem. The clystertory treatment prevents operations. I hope to get this legislation passed as a part of the bill before you; that it include an appropriation of \$1,000,000 for the purchase of the Townsend-Davis Clystertory Health Treatments, to be distributed to the people by a

bulletin and other means of instruction, the expense to be borne by the Government, but no expense to be incurred for Mrs. Townsend and Miss Davis except the purchase price. This million dollars will save the costs of illness. We can furnish many testimonials, if desired, and patients will appear as witnesses for the clysertory treatments.

The CHAIRMAN. Thank you very much, Miss Davis.

The first witness this morning is William R. Webster, of the Connecticut Manufacturers Association.

STATEMENT OF WILLIAM R. WEBSTER, REPRESENTING THE CONNECTICUT MANUFACTURERS ASSOCIATION, BRIDGEPORT, CONN.

Mr. WEBSTER. I am William R. Webster, chairman of the Board of the Bridgeport Brass Co., Bridgeport, Conn., representing the Manufacturers Association of Connecticut, Inc. My own company operates both a brass mill and fabricating departments and employs at present about 2,000.

May I say in this connection that that is more employees than we averaged throughout 1929. Every month the last year, with the possible exception of January, with respect to which my memory is not clear, we averaged more employees on the pay roll than we did in 1929.

The Manufacturers Association of Connecticut, on whose behalf I appear today, is a State-wide organization comprising, with few exceptions, practically all eligible industries in the State of Connecticut, large or small. When I say "eligible", I use the word advisedly, because the association's board of directors, on which I have just finished a term, sets a rather high standard for membership, refusing admittance to those who do not look upon the employment relationship with the respect which it deserves, and exercising its prerogative of expulsion, if and when a member offends against established law or against the canons of decency.

It is a testimonial, perhaps, to the grade of men who make up Connecticut industry that the association's ranks are so close to 100 percent. At any rate, it is on their behalf that I offer these comments on the bill before your honorable committee today.

I shall respect the committee's patience and the pressure on its time by refraining from argument on the legal or constitutional phases of the measure. As a layman, I recognize that I do not qualify as a spokesman on these matters, and other witnesses will doubtless offer testimony to that end. Moreover, such lawyers as there may be on this committee, together with such legal counsel as the committee has consulted, are doubtless familiar with the case of *Bailey v. Drexel Furniture Co.*, 259 U. S. 20 wherein the United States Supreme Court ruled that the use of the taxing power to achieve by indirection an end that could not be legally accomplished directly was an invalid exercise of the congressional power. Reduced to their elementals, the bills before your committee propose to do just that.

Nor will I dwell at any length on the retarding effect which the program embodied in these bills must necessarily have upon the revival of private industry. The President has indicated his belief in the sound principle that permanent gains in employment and in the

social and economic well-being of the American people can come only from the absorption of workers into private industry. It must be plain that the penalty intended to be imposed on employers for irregular employment will tend to freeze industrial employment on the lowest possible level at which the annual industrial productivity of America can be turned out. I recognize that stabilization is one of the aims of the proponents of unemployment compensation, but I question whether stabilization at a permanently low level is to be preferred to the opportunities of additional employment which industrialists would feel free to offer in times of exceptionally good demand, if they were not obliged to assume permanent responsibility for the supplemental personnel which could be used for appreciable periods. I recognize too that the ultimate objective of the bills before you is permanent social reform rather than short-time recovery; but your committee and the Congress assumes a grave responsibility if it handicaps the now budding recovery movement to an extent that will render reform of little practical value to those who are its intended beneficiaries.

Couple that thought with the recognized truth that these measures offer future, rather than immediate help and you have an added reason why an already overburdened industry should not be required to shoulder the extra load.

Our principal concern in Connecticut is with the size of this load and its discouraging effect on private enterprise at a time when the forces of recovery have gotten such impetus that nothing can stop their progress—except a measure of this sort. The industrial employers of our State are concerned, of course, about the latent powers of Federal coercion that lie in the bill. We have gone far along the path of enlightened legislation for the protection of industrial workers, and when certain low-grade nomadic industries came over our borders a few years ago, and engaged in the premeditated practice of low wage and law evasion, the Manufacturers Association of Connecticut was in the vanguard of those who drafted and sponsored laws to cure the evil. We believe, therefore, that we have shown not only the disposition but the ability to handle such matters within our own borders, and we find it hard to stifle a feeling of disquiet when the Federal Government attempts to direct us along a path of action that our own legislators, closer to their constituencies and more familiar with our limitations, have not seen fit to launch upon as yet.

But, as I said, our chief concern is with the weight of the burden and with our ability to carry it. Based on the best figures obtainable, the direct cost of this program to Connecticut industrial employers will probably amount to at least 3 million the first year, and may run to 7½ millions. It will increase by 1 million or 2 million the following year, going up by progressive stages until it reaches something like 14 million in 1957. To a New England manufacturer, that appears like a staggering sum to add to the heavy burdens he is now supporting in local, State, and Federal taxation, in workmen's compensation costs, in private charity and in such employee-benefit plans as his resources will allow him to establish and maintain.

The manufacturing industries of Connecticut normally employ over a quarter of a million or so workers—a field of gainful occupation for 21 percent of the State's adult population. In the United States as a whole, only 10 percent of the people of working age find employment in industry. This alone is a graphic measure of the importance

of industry to the State. When, in addition, it is recognized by statisticians that each worker on the average is looked to for support by $2\frac{1}{2}$ dependent individuals, it is readily apparent that Connecticut industry furnishes a source of livelihood for much over half of the entire population of the State. Quite obviously such a fountainhead of economic and social well-being must not be molested by an unwise use of the taxing power.

The heavy responsibility of law-making bodies in this regard can be made still more clear by an examination of the present tax burden borne by industry in Connecticut. Although no one, to our knowledge, has ever undertaken an exhaustive study in this field, a survey made by the association in the middle of the last decade, with the results applied to changing conditions since, indicates that the industries represented in the membership of our association are now paying about 15 million under the general property tax. Add to that 4 million for taxes imposed on them directly for State use. Add another 11 million for their share of the various Federal levies—the corporate income tax; the capital-stock and excess-profits taxes; the tax on security issues, and safety deposit boxes; the impost on telephone and telegraph communications; the processing and compensatory taxes on cotton, paper, and other commodities; the excise taxes on clocks and silverware, toilet preparations, automotive goods, oil and gas, firearms, sporting goods and games, radio and phonograph parts; and so on.

Conservatively estimated, therefore, we find that the productive enterprises grouped within the membership of this association are bearing a burden that even in these subnormal times averages about 30 million. When conditions improve, that part of the burden which depends on volume of business will, of course, increase. The rest of the burden will hardly be reduced, since expenditures arising out of the depression tend to rise in spite of all that taxpayers can do to hold them in check. We are becoming accustomed to talk in large figures, and a burden so great as this is not so breath-taking as it would once have been; but no New Englander can look at a tax burden of 30 million dollars with equanimity, especially when it falls on one of the two productive forces in the economic life of the State. To jump it forthwith by from 10 to 25 percent, in the face of certain increases in the general tax structure both here and at home is to add a load that is simply insupportable. And may I point out that the history of social legislation both here and abroad is a cumulative increase in the scale of benefits and a widening of the circle of beneficiaries.

May I also state that I am the president of the Automatic Machine Co. of Bridgeport, which is a small concern making machine tools for very high and precise work. During the depression, we have operated at from 10 to 15 percent of normal period. These goods are those classed as capital producer goods. They are used by the principal concerns in the machinery business in the country, but we have found in endeavoring to secure orders to keep ourselves alive that our customers say that they need this equipment, they would like to purchase it, but they are fearful of their ability to do so because of their inability to determine what their taxes will be in the future.

I want to further say in this connection that unless there is a turn in the tide in this direction, this small concern will be obliged to fold up, primarily because of the burden of taxation which it is already

carrying. It exists today primarily through the sufference of our local tax collector. He could at any time close us up.

Testimony already in your records, I understand, emphasizes the actuarial deficiencies of these plans on the basis of our present experience. That testimony merits the closest study of the committee before a bill is reported out. Some of the actuarial witnesses were from the State of Connecticut, which houses the most renowned masters of actuarial science in the United States, and their testimony on a phase of this subject on which they are professionally competent to pass judgment is of far greater significance than seems to have been attached to it thus far. In connection with unemployment compensation, they spoke from personal knowledge of the lack of experience tables on which to base remedial legislation. In connection with old age pensions—and this I think is highly important—they pointed out among other things that the population of the United States is rapidly approaching a static condition and that the percentage of older people in the population will tend to be appreciably higher.

On behalf of the group which I represent, therefore, I respectfully urge that, instead of saddling us with this staggering additional burden you give consideration to the wisdom of creating an executive commission to coordinate Federal, State, and local studies in the field of social security to determine accurately both the extent of the need and the feasibility of suggested remedies before legislation is attempted.

The CHAIRMAN. Is that all you have?

Mr. WEBSTER. That is all unless the committee has some questions. (No response.)

The CHAIRMAN. Thank you very much. The next witness is Paul Kellogg.

STATEMENT OF PAUL KELLOGG, EDITOR THE SURVEY AND SURVEY GRAPHIC, AND VICE CHAIRMAN ADVISORY COUNCIL, COMMITTEE ON ECONOMIC SECURITY, NEW YORK, N. Y.

Mr. KELLOGG. I should like first to take a moment of your time to tell you how I regard this committee and its work.

You will remember the recent collision off the Jersey coast, when the Mohawk went down, and 45 lives were lost—seamen and passengers. A fortnight ago, the newspaper carried headlines that told that while suits for a million dollars were in prospect against the company, the owners held that their total liability to everybody concerned was not over \$10,000. That was like digging up the thigh bone of a mastodon in your back yard. It harks back to the old laws of the sea that go back to sailing ships, before we had our modern notions of corporate responsibility toward workers and passengers. That old law had it that survivors could get damages up to the value of the wreck, if any. There wasn't any wreck in this case, only the lifeboats that got to shore.

I remember in the case of another great disaster, publishing in the Survey an article on this ancient network of maritime law, written by an expert who has since become the head of a great life-insurance company, and the title we put over it was "Ships and Sealing Wax."

Yet after all, until 25 years ago we were equally backward with respect to the hazards of accidents on the land. Our employers'

liability laws that were supposed to give protection to workers in great plants, with molten metals and chemicals and voltages and tremendous machines against which human flesh and blood were pitted, went back to the old master-and-servant rulings of bewigged English judges of 200 years ago, who figured out whether the squire should be held responsible if the maid put damp sheets on the 'osler's bed and the 'ostler took pneumonia and died of it.

Now all that is changed for the better. State after State has adopted workmen's compensation laws, which tackle these new risks of work in a new way; put a tax on the employer, who puts it on price, and all of us pay a bit when we buy a ton of coal or a car or sack of flour, for the human wear and tear that goes into the things we consume.

Our factories and mills and mines come under a rule of security that has not reached our ships. And employers, employees, and the public the country over know that it is the sound, decent thing to do and would not go back to the old ways.

And so we come to this greater and more devastating hazard you are considering today, this hazard of broken work and broken earnings, and how to bring the principles of insurance and collective coverage to bear, so that we shall not let our people down; so that the whole burden of lost wages shall not fall like a ton of brick on the wage-earner's household, breaking the back of it. If we cannot supply steady work in our modern industrial life, we should at least supply some security of income to the people we call together to do the work. We should do it in their interests and the interests of the rest of us, if purchasing power is to be stabilized.

If a group of engineers and physicists in a laboratory were working on some new motive power that would revolutionize production, the world would get the drama of what they are about. The President and his associates have essentially been at a kindred task in drafting the administration's program of social security. You, in turn, are a group of statesmen, holding open court to employers, labor leaders, economists, social workers, and the rest. You, too, are just as essentially engaged in a process of discovery, only here and now it is a social invention you are handling, one of a whole series of social inventions through which human beings are trying to adjust themselves to the industrial changes about us, so that life and livelihood may be secure in the midst of them. Some day the public will wake up to the drama of this thing you are doing; and meanwhile you, who are up to your elbows in it, may now and then stand back and look at yourselves, and catch the adventure of it, and be bold in what you are contriving to protect the men, women, and children of America against these hazards of our times, which the depression has driven home as never before.

The depression has swelled this risk of unemployment and its consequences to huge terms. Yet if we are to have progress and change in our scheme of production, we are bound to lay people off in the course of them. Unemployment is a characteristic of prosperous times and a progressive industrial life. But unemployment without security is as hoary an evil as irresponsible disasters at sea, and we can do something about it if we will. We have been belated in this country in doing anything about it in a long-run way. But that is all the more reason to forge instrumentalities that will stand up and are adequate now that we have put our hands to it.

For 20 years the fear of interstate competition has kept our States—Wisconsin excepted—from passing unemployment-insurance laws. If the progressive manufacturers of Connecticut and the public of Connecticut wanted to have an unemployment-compensation law, under present conditions they would have to add to the cost of their manufactured products and be at a disadvantage with Massachusetts and New York and the rest of the country.

I should like to hail the President, Secretary Perkins, Senator Wagner, Congressman Lewis, Director Witte, Mr. Eliot, and all those who have had a hand in plans to cut that knot. I have constructive criticisms to make of the Wagner-Lewis bill, but I want you to write me down as for the fundamental objective of this groundbreaking legislation. Once its pay-roll tax provisions are passed, no longer will progressive States be so disadvantaged in their production costs if they seek to protect their workers against unemployment. There is another great gain, and that is, with this dread of unfair competition lifted, the national act can safely go further than any State could contemplate going alone. It is because the measure as drafted fails to go further that I level my first major criticism. Rather it is a recession from the original Wagner-Lewis bill before the Senate last year. That called for a 5-percent tax. This calls for 3 percent, and the revenue therefrom is thoroughly inadequate as the foundation for benefits, as I see it, to allow an adequate coverage of this risk.

Eight of the members of the Advisory Council, the chairman, the vice chairman, the president of the National Federation of Settlements, the president of the American Federation of Labor, and four other labor members of the Council, took this stand in a supplementary statement to the Council's report. To increase the benefits, a considerable minority of the Advisory Council voted for 5 percent, and a larger group tied the vote at 4 percent. In its report the Committee on Economic Security presents actuarial tables which give the maximum standards possible on such a 3-percent tax base. These are, first, after a worker is laid off, a 4 weeks' waiting period without benefit; then 15 weeks' benefit at 50 percent of normal wages—but in no case more than \$15; thereafter, except for long-time employees, nothing.

Now, when I challenged the length of benefit as the simplest test of the adequacy of coverage, it was pointed out to me that these estimates were made on the basis of taking the whole of the United States as a pool. A State with relatively small unemployment might be able to lengthen them. But by that very token the State with relatively high unemployment would have to cut them down, and we might have States with 10 and 5 weeks' benefit periods.

We had statistical estimates before us that even at 15 weeks, and even in good times, over half of the unemployed workers listed in unemployment censuses made in the post-war years would have fallen outside the benefit period provided by the 3 percent base. Roughly a quarter would have fallen in the prolonged waiting period and another quarter would have fallen beyond the short benefit period.

These statistical estimates, with their known limitations, can be brought down to everyday realities by reference to the results of a field survey carried out in 1928 for the Senate Committee on Labor—Senator Couzens, chairman. This was a study of 750 workers let go

the 12 months preceding from 20 groups of industries in Chicago, Baltimore, and Worcester, Mass. It was directed by Isador Lubin, now Chief of the Bureau of Labor Statistics of the United States Department of Labor. With prosperity at its height, 42 percent of those who had secured jobs, and 55 percent of those who had not at the time they were interviewed, were unemployed for more than from 4 to 5 months, exhausting their protection had the proposed system been in operation.

When it comes to the amount of benefit, take the case of a \$3-a-day man. He's out of work for the 4 weeks' waiting period, and the 15 weeks' benefit period and his compensation for the initial 19 weeks would average roughly \$7 a week. That's less by a lot than our monthly home relief in New York; it no more than approximates the national average for home and work relief—\$28 a month—which we have been able to provide at the end of 5 years of depression, with millions of unemployed to fend for.

Tables prepared by members of the technical staff of the Committee on Economic Security, compared the protection proposed under a 3-percent plan for the United States and that afforded throughout recent years by the standard benefits of the British system of unemployment insurance which has a combined $4\frac{1}{4}$ -percent base—one-third each from employers, employees, and the Government. These showed that in the lower-wage brackets the British worker, if single, would fare about as well as the American; but, if married, with dependents, would get from 50 to 100 percent more than the American. In the higher-wage brackets, the American would come off favorably with the British as long as his compensation lasts, but in any case that is only part of the picture. The general run of American benefits would be cut short at 15 weeks, while the British standard benefits begin after 1 week's waiting period—against the 4 proposed for the U. S. A.—and run up to 26 weeks—against the 15 proposed here.

An employee with a long work record in America might qualify for extended benefits for half a year, in England for a full year.

In our supplementary report eight of us contended that if the British people could swing such a coverage throughout the post-war depression, and are now liberalizing it, the people of the United States might at least do as well in setting up a system of security in this period of anticipated recovery, when no benefits are to accrue to unemployed workers until 1938. A 5-percent base would cut the waiting period to 2 weeks, lift the benefit period to 30—approximating the British.

So long as the American waiting period is left at 4 weeks there is no just basis for calling on employees to contribute, for they will be bearing the entire wage loss of short-term unemployment. There is justification for lifting it to the 5-percent rate of the original Wagner-Lewis bill as it is a tax that may much of it be shifted onto consumers. Yet as such it is subject to all the criticism leveled at other sales taxes, and to the additional one that it may provoke mechanization and so increase the unemployment it is intended to mitigate.

A better case can be made for matching the 3-percent pay-roll tax with at least a 2-percent contribution from the Federal Treasury. Then all of us, according to our ability to pay, whether we draw incomes from salaries, from bonds, from real estate or dividends, would be sharing in meeting the cost of that security and stability in our economic life on which all of us depend.

Some of you may not agree with me on how high standards of unemployment compensation the United States can afford at the start. But we could agree, all of us I hope, that they should not needlessly be debased in any part of the Nation.

The rights of workers out of work should be the very heart of unemployment compensation legislation. Let me urge you to incorporate in the Wagner-Lewis bill national minimum standards protecting those rights.

To leave them out is a violent breach of the principle of national responsibility toward unemployment which the "new deal" has stood for.

To turn back the Federal pay-roll tax to the States without setting the standards below which no State shall go is to make a hollow shell of the protection for which the money is collected.

Such minimum standards should let every wage earner in the United States know, no matter where he lives or works, the least he can count on with respect to the share of his wages that will go to him as benefit, the length of benefit, the waiting period, the work record that will qualify him for benefit, his standing as a part-time worker, or as a worker who moves from State to State, his right to work benefit when cash benefit stops—and the other terms which are the measure of security, or lack of it, to him and his family.

After prolonged discussion and repeated sessions such standards in the Federal bill were recommended by majority vote of the employers, labor leaders, and representatives of the public who made up the Advisory Council to the Committee on Economic Security, of which Council I was vice chairman. Chairman Graham, himself a southerner, was so much concerned with this matter of national standards that he wrote a supplementary statement urging them as the prime test of national legislation.

The Wagner-Lewis bill will mark a great advance in using the force of congressional enactment as a leverage to overcome the drag of interstate competition. The Federal pay-roll tax provided for in the bill will free and spur the States to act, and its funding provisions will pry the reserves raised into the custody of the Federal Treasury to prevent their chaotic handling.

But under the bill as drafted, this lever thereafter goes limp and becomes a hose, piping the Federal-tax money back into the States without any provisions that will safeguard the unemployed themselves, for whom the system is supposedly set up.

In leaving these national standards out of the administration program, the Committee on Economic Security and the Wagner-Lewis bill not only broke with the majority recommendations of the Advisory Council, but with those of outstanding experts on unemployment insurance—like Dr. I. M. Rubinow and Paul Douglas whom you should call before you—who were brought together at the National Conference on Economic Security in midfall, and with the report—which you should call for—of the technical staff on unemployment, headed by Bryce Stewart, which carried on studies of the subject, beginning last summer, for the Committee on Economic Security.

Just as the purpose of the Economic Security Act would be defeated by any State which failed to accept its provisions and enact a law, so its purpose would be defeated by any State which cut down the

amount and length of benefits to levels which would be out of line with its tax provisions and would make its protection a farce.

I have thumbed through the transcript of the testimony given before you and am impressed with the fact that whether they were labor leaders like Mr. Green, or outside experts like Mr. Epstein, or social workers like Miss Hall, the witnesses who know conditions of life and labor among the wage-earners first-hand, seemed to all raise this question of national standards and advocated them. So did representations from such alert national bodies as the League of Women Voters, the National Federation of Settlements, the National Consumers' League. There is significance in such a banked demand, worth weighing against the loose proposal of the administration to provide merely that the States must spend the money raised on unemployment benefits. Any State that sets up plant-reserve accounts can cut that money raised down in course of time by merely cutting the benefits down to begin with.

I was one of those who, while our Advisory Council discussions were going on, swung around from the Wagner-Lewis Federal-tax, State offset-credit formula to the Federal-tax, State grants-in-aid formula, which all these groups likewise recommended. I did it and others did it because we felt that it would facilitate such standards. We had the assurance, however, of Mr. Eliot, associate counsel of the Labor Department, that they could be incorporated with either plan. Which framework is employed is to my mind not so important as that the necessary national minimum standards be laid down in whatever is employed.

To start action the country over, and to start it right, the bill recognizes the need for national leverage. We look to the Federal pay-roll tax to get the States to act. By the same token we should look to national standards in the Federal bill to assure minimum protection the country over. If we let them slide now we shall be confronted later on with the coalesced resistance of States and industrial interests to any interference with their own standards, however meager. Instead of scotching the snake of interstate competition, we shall have it in this new guise, harder to combat, putting employers in progressive States at a new disadvantage and stultifying the attempt to give security to wage earners everywhere.

To incorporate the principle of national minimum standards in the bill now, while it is malleable, would assure a ground-floor level of protection which as a Nation we could stand for; which unemployed Americans could stand on. Perhaps more important in the long run, this would give us a leverage to lift that level later on. It would leave the States free to experiment above those levels, but not in the subcellars of human misery.

It is that issue of national standards, national minima, that I should like to incorporate as my contribution to your hearing.

Senator HASTINGS. Did you give any consideration to the Federal Government operating the whole unemployment scheme?

Mr. KELLOGG. That was the united recommendation of that group of experts who got together the day following the conference on economic security in midfall, but our council went ahead on the theory that the administration had made up its mind that a Federal-State system should be the basis of any congressional program that they would put forward, so we considered what was the framework of a Federal-State system that would best work.

Senator HASTINGS. I was wondering whether your recommendations were practical, whether in order to carry them out it would not be necessary for the Federal Government to administer the whole unemployment-insurance law.

Mr. KELLOGG. Some experts take that position, but I think that in general you would say that national standards could be very simply laid down, I mean the minima under a Federal grant-in-aid plan, a subsidy plan which Mr. Graham recommended, Mr. Green and others. It is not quite as easy under the Federal pay-roll tax combined with an offset system which is in this bill. We have the assurance of men like Mr. Elliott that it is quite feasible. You see if it does not attempt to set the form or mold in which State experiment shall go, but merely sets a bottom level below which they could not go.

Senator CONNALLY. Do you favor the Federal Government fixing a minimum?

Mr. KELLOGG. Yes, sir.

Senator CONNALLY. And then if the State does not come up to that minimum, to deny the States anything at all?

Mr. KELLOGG. Of course, under the Wagner-Lewis formula, it would be the other way around. A State could not get any of the offset money unless it met that minima.

Senator CONNALLY. In other words, if the State decided that it would not pay over \$10 a month, we will say, for this employment insurance—you are talking of unemployment?

Mr. KELLOGG. Yes; I am not competent to talk on the old age.

Senator BARKLEY. What do you think of the wisdom or justice of levying this tax on the pay roll of the State prior to the time when it can enact a law or meet the demand, and take that money for any period, 1 or 2 or 3 years, or whatever it may be before the State can comply with this act, for general purposes of the government?

Mr. KELLOGG. Of course you would cut the knot of that swiftly if you would change the tax to a tax Federal-aid system, because then you would have the tax collected as a straight tax matter, and then the subsidy offered to the State, and no State would refuse this subsidy.

Senator BARKLEY. Change it around somewhat after the fashion of our road appropriations and child welfare and others.

Mr. KELLOGG. Practically. Practically every insecurity in the bill except unemployment is handled by the Federal-aid procedure.

Senator HASTINGS. Do I understand that you would recommend a minimum number of waiting weeks and a minimum number of weeks they might be paid under the system?

Mr. KELLOGG. Yes, sir; and there is other minima, but they are fairly simple. A dozen of them would do the whole trick.

Senator HASTINGS. If the 3-percent tax upon the pay roll of a particular State was not sufficient to meet that, you would compel the State to raise the fund in some other manner?

Mr. KELLOGG. Of course; to meet that situation, we discussed quite at length the needs for some insurance fund nationally. For example, I do not happen to know the situation in the different States. But take a State that was a coal-mining State and had a lot of men unemployed, a lot of coal miners. It is a part of the national problem in the State problem, and there would be a question whether the Federal Government should not come in in a reinsurance way to

sustain benefits in that State until they worked it out. We suggested that one of the prime subjects for study should be to work out some form of reinforcement of that nature.

Senator HASTINGS. Of course, it would not be worth while to put in those minima if the Federal Government had to come to the aid of the State which could not meet the minimum.

Mr. KELLOGG. Of course, some of us have approached it from the other way around. We said, "What is a decent level that we would stand for as Americans to cover this risk of unemployment that we cannot stand up and defend?" And then the secondary question is, "Where do you get the money to pay for it?" I imagine that that question that you raised will not be a practical one for some years ahead.

The CHAIRMAN. Thank you very much. If you want to elaborate your views, you can give it to the stenographer.

The next witness is Clarence A. Kulp of Philadelphia, Pa.

STATEMENT OF CLARENCE A. KULP, UNIVERSITY OF PENNSYLVANIA, PHILADELPHIA, PA.

Mr. KULP. Mr. Chairman, I have not had time to prepare a statement, so I am going to be very short. If you like, I will submit one later.

The CHAIRMAN. You are from the University of Pennsylvania?

Mr. KULP. Yes. I perhaps should add that for the last 3 years I have served as adviser to the Pennsylvania Commission on Unemployment Insurance, was Governor Pinchot's representative on Mr. Roosevelt's interstate commission in 1931 and 1932, and have served as chairman of our State committee on workmen's compensation, which is a form of social insurance, presented a report to the Governor after 2 years of work.

In principle I favor the objectives of the Wagner-Lewis bill. In detail, there are a great many things about which everybody, I suppose, could raise questions.

The outstanding omission is the failure to include public-health insurance, although I understand that the attitude of the medical profession is the important factor that explains that exclusion. That is very unfortunate, because the public-health insurance would give us an ideal beginning on a social-insurance program. You would have no question about calculating reserves, because you would spend your money as you raised it, and no new money would have to be added. Experts of the committee have calculated that at present the average family spends $4\frac{1}{2}$ percent of its income for medical help, and for that same sum it would get a much higher standard of help that would be spread over a much greater proportion of the population, in fact we have evidence from a number of private schemes that \$35 a year would do the job very nicely, including hospitalization, services of a general practitioner, dental care, and all the other elements that go into a complete medical hospital standard.

Senator BARKLEY. How do you draw the line between those who have received the service and those who have not applied for it?

Mr. KULP. I should make that system completely self-supporting.

Senator BARKLEY. You mean you would apply it to everybody?

Mr. KULP. As far up as practical.

Senator BARKLEY. There is still an element of uncertainty?

Mr. KULP. I beg your pardon?

Senator BARKLEY. Would you fix any total income as standard by which to judge whether a family should receive medical care and dental care at public expense or private expense? How would you limit that?

Mr. KULP. The bill would be drawn up, I take it, so that the persons who would fall below an agreed-upon minimum of income would naturally be supported then as they are now, but on the whole we should expect the system to be self-supporting without Federal or State aid having the higher-income people contribute.

Senator BARKLEY. Contribute to a general fund?

Mr. KULP. Preferably a Federal fund.

Senator BARKLEY. Raised by general taxation or through a special health fund?

Mr. KULP. Special health fund.

Senator BARKLEY. Through a system devised by the States and controlled by the States?

Mr. KULP. Preferably a national system.

Senator BARKLEY. Thank you.

The CHAIRMAN. Proceed.

Mr. KULP. On the unemployment-insurance sections of the bill, I should like to say that I do favor the choice, although it has some unfortunate circumstances, the choice between the types of insurance plan. As it is drawn now you can have the establishment of funds whereby each employer would assume full responsibility for his own unemployment—it would permit the industry fund or it would permit the State-wide pool. If practicable, the ideal plan, I suppose, would be a Federal system, but as matters stand, I think if you tried to decide now between the reserve plan as against the pool, you would simply transfer this battle on the States which has been raging between Wisconsin and Ohio to Washington, and very probably would get to nothing at all. I think it would be a mistake if you tried to pin down upon all of the States the same plan at this moment.

I oppose the contribution of workers for the very fundamental reason that in any scheme of "unemployment insurance", so-called, they would still have to bear by far the greatest proportion of the cost. Even a 3-percent pay-roll bill would cover not more on the average than one-quarter of the wage losses.

You have heard Paul Douglas. You know by the figures, that he calculates that up to 1920 we had an average unemployment rate of 8 percent, leaving out part-time entirely. If you include part-time, at least 12 percent year in and year out, and that does not include the present depression, so that any bill obviously that asks for only a 3 percent of pay roll can pay for only 3 percent of lost time. The other three-quarters will be just where it is now, that is on the employee or in turn on public and private provision.

I am not impressed at all by the argument that workers have to pay in order to appreciate their blessings. I believe workmen's compensation is a precedent. There is hardly a State in this country where the worker is asked to pay even as much as a cent a day; in fact, there is one State in which he is asked to pay 1 cent a day. In most

States he is asked to pay nothing, not on the theory that the employee is to blame but that he is a convenient channel in which to collect the cost of industrial accidents.

Senator BARKLEY. Have you any opinion as to what the machine has contributed to this 12 percent unemployment in normal times?

Mr. KULP. I am afraid not.

Senator BARKLEY. We read about the machines throwing men out of work, and on the contrary there is a theory that the machine, while it has thrown men out of work in certain lines, has created work in other lines for them. I wonder if you have any opinion as to the balance of good and evil that has been brought about by machines?

Mr. KULP. I have an opinion, but that is all. In the long run, surely machines, as far as economic theory goes, create jobs placing men in new places to take up the slack of those that the machines have closed out, but you still may have and I think you will have for many years in the country the problem of short-run employment. All of the inductive studies seem to point that way.

Senator BARKLEY. Hasn't that problem grown with the years?

Mr. KULP. I think it has.

Senator BARKLEY. Does it not grow more permanent as we go along?

Mr. KULP. Perhaps. I am trying to be very conservative in the statement. Even if it does not increase, we will always have a permanent problem of short-run employment during the period that people have to look around for other places.

Senator BARKLEY. The advocates of a well-known pension plan that is soon to be explored before this committee take the position that in a certain length of time all of the work will be done by machinery and that men won't have anything to do except draw their pension. Do you look forward to any such situation as that?

Mr. KULP. No, sir.

Senator BARKLEY. Thank you.

Senator CONNALLY. Your theory is that the invention of the automobile, for instance, while it displaced some people—the wagon-makers and blacksmiths,—did however create a great many new jobs to make them and run them and fix them and supply the gas, and so forth. And that the invention of the radio, for instance, put thousands to people tinkering with radios that left other occupations. Your theory is that in the long run that these dislocations are cared for by the creation of jobs in other lines, in other industries? That is what you mean?

Mr. KULP. Yes.

Senator CONNALLY. Naturally there is a period of transition there that you speak of as short-time unemployment?

Mr. KULP. It may be a long period to the fellow that is looking for a job.

Senator CONNALLY. I understand that, but you said something about—what was the term you used?

Mr. KULP. Short-run unemployment. May I suggest a more modern illustration? Between 1920 and 1928, which was before the liquidation, about 2½ million workers lost their jobs permanently in four American industries—in railroading, in agriculture, in textiles, and in coal mining. In my State particularly, coal mining. Those people are off those pay rolls permanently. By and large, of course,

new jobs were created during that period, at least to equal the 2¼ million lost, but not in the same places. Manicurists, life-insurance agents—it is estimated that 100,000 new life-insurance agents were created during that period—barber-shop attendants, garage attendants, mechanics—all of the personal services. Of course, the miners up in Wilkes-Barre and Scranton, Pa., are not eligible for those new jobs, and by and large they just wait there for some miracle to happen.

Senator CONNALLY. Do statistics state those facts?

Mr. KULP. Yes; I can cite the source of those statistics.

Senator BARKLEY. What is the source of those statistics? Not that I doubt your statement, but I would like to have the reference.

Mr. KULP. Professor Schlichter, of Harvard University, in an article written for the Survey Graphic, based on census statistics issued about approximately April 1928. That can be checked very readily. Professor Schlichter, I believe, appeared before your committee.

Senator COUZENS. Have you any solution for those men in the coal mines that are staying there?

Mr. KULP. No; I have not.

Senator COUZENS. Has anybody offered any?

Mr. KULP. Yes; I suppose you would call some of the proposals a solution. Relocation of those coal miners has been suggested by Mr. Hopkins, for example.

Senator COUZENS. I mean, has he said where he would send them?

Mr. KULP. If he did, I did not follow him.

Senator COUZENS. I would not be very much impressed anyway.

Mr. KULP. May I say at this point that the unemployment insurance would do very little for those people anyway.

Senator COUZENS. This plan is not contemplated to take care of the present unemployed, is it?

Mr. KULP. No; but I believe that is not generally understood.

Senator COUZENS. It is quite well understood by this committee that this plan is not to take care of the present unemployed.

Senator HASTINGS. What are your specific recommendations?

Mr. KULP. On unemployment?

Senator HASTINGS. On anything here.

Mr. KULP. I was about to say I approve the section on unemployment insurance in principle, but I do deplore the lack of standards. I just heard Mr. Kellogg what he can say better than I.

Senator HASTINGS. And do you agree with what he said?

Mr. KULP. In general; yes.

Senator CONNALLY. Don't you think that in all of these plans we have got to make a beginning?

Mr. KULP. Yes.

Senator CONNALLY. And that the ultimate is not always to be attained at scratch?

Mr. KULP. Yes. Therefore I am for it as it stands even though it has all of the defects that I mentioned.

Senator CONNALLY. And is not something better than nothing as a rule?

Mr. KULP. Yes, sir.

Senator CONNALLY. Even the colleges in mathematics teach that something is better than nothing.

Senator HASTINGS. I noticed the recent budget message of the Governor of Pennsylvania provided for \$20,000,000 for old-age

pensions, and he specified and made specific recommendations as to how the extra money should be raised for that and other purposes. Do you know whether in Pennsylvania that is a preferable way than the tax provided in this bill for pension payments?

Mr. KULP. The funds proposed by Mr. Earle are to match the expected Federal contribution. We have our own system and the Federal subsidy would add to the sums that we already are providing.

Senator HASTINGS. Is the State of Pennsylvania paying out now \$20,000,000?

Mr. KULP. That is, not now. We had the unfortunate experience of being one of the first States to pass such a law and have our supreme court declare it unconstitutional in 1923. We have just repassed it, and I believe have yet to pay the first check. That is due to a local accident. We expected to make enough money on our liquor-store profits, and we are not making it.

Senator BARKLEY. Don't they drink as much in Pennsylvania as you expected?

Senator CONNALLY. Pennsylvania is not Kentucky. [Laughter.]

The CHAIRMAN. Have you finished your statement?

Mr. KULP. No sir, Mr. Chairman. The committee has asked me a number of questions. I shall be glad to go on if you want me to.

I favor a noncontributory scheme for the reasons that I tried to explain, and I favor also some approach toward national standards, although I believe the tax approach, because of constitutional reasons, is highly defective. I am not a lawyer, but I would take a lawyer's word on that point. Lawyers believe that the subsidy would be a preferable method for getting real standards. As it stands there would be no equity, as far as the law goes, between States or even between workers in the same State. There is no assurance of that. The amounts of money are so small that I see very little reason for getting excited about investing funds with the treasurer, or leaving the funds with the treasurer. At the outside those funds will hardly go over 2 billions of dollars, even at the top of the period of inflation, and according to the revised estimates of the actuaries of the Committee on Economic Security, probably not over 1 billion dollars, which is small change for these United States.

Senator HASTINGS. What was that amount?

Mr. KULP. Less than 1 billion on the adjusted basis, 2 billion on the unadjusted basis, which they believe is much too high.

Senator HASTINGS. And you say either of them are small change?

Mr. KULP. Yes; compared to the needs.

The CHAIRMAN. Proceed Mr. Kulp.

Mr. KULP. May I say, Mr. Chairman, on that point, this emphasis on cost is an unfortunate and an unfair one. I hope you do not mistake this for the ordinary statement of a college professor, but it is true that we are beating that cost now. The imposition of a pay-roll tax would not increase costs at all, it would transfer them, and in my opinion, transfer them to a place where they could be collected much more equitably. There isn't anybody who believes that we are not paying for unemployment now. This would provide a logical plan, a sensible way of paying, instead of throwing, as in the emergency relief law, the whole provision on the haphazard, emotional, high pressure methods.

Senator CONNALLY. Mr. Chairman, I want to interrupt a moment. You understand I am not trying to cast any reflections on the uni-

versities, it is only the views of some of the professors that I am concerned with.

Mr. KULP. I understand. Another major criticism that I should like to make of the bill, and of any program of economic security, is that we are in process, as far as this bill goes, of building up another gigantic bureaucracy. That, I think, is inescapable. You have to have people to administer social security schemes, but it would be a big mistake, I think, if we ignore the lesson of Great Britain, and, to a certain extent, Germany. For example, the same persons, by and large, will be beneficiaries under two or three or more schemes. The chances for interlapping on the one hand and for gaps on the other hand, are considerable. The British are finding that out and are patching up their structure, so in England, in the future, it will not be possible, as it has been in the past, for a man to get one sum of money, if he is injured while in a plant and another sum of money, if he is injured at home, and still a third sum of money if he is injured some other place.

I believe it would be unwise to try to put all of this in one department, either Federal or State department, but certainly there should be close coordination between not more than two departments. I have heard suggested a Federal department of welfare which should take over public-health insurance, conceivably; and support and relief to mothers and children, education and retraining of the blind, and so on, that conceivably would be one of the two departments. A department of social security, or whatever you would like to call it, should be the other. The two, if it is possible, should be coordinated so carefully that it would not be possible to give rise to all these anomalies that the British are now trying to correct.

Senator HASTINGS. Have you any recommendation to make with respect to that?

Mr. KULP. I would recommend two departments, one of welfare, and one of social security, by some means coordinated, to provide equity between workers under the different schemes in the different States.

Senator COUZENS. What is your objection to one department? I did not get it.

Mr. KULP. My objection is, and at the moment I am temporizing, that you could not secure a single department and have the people who are involved in its work together, with the welfare people bunched together with labor people. They fight like cats and dogs.

Senator CONNALLY. Isn't it true that you would have a clash in one department, with the labor people and the other people trying to tell you what to do?

Mr. KULP. I am temporizing. My idea would be one department.

Senator COUZENS. Let us not temporize.

Mr. KULP. I am temporizing in regard to this.

Senator HASTINGS. I think that is very vital, as to whether we would have one or two departments.

Senator COUZENS. He says he is temporizing.

Mr. KULP. I say I am not insisting, as someone said a moment ago, that it should be two departments.

Senator CONNALLY. Is your view one or two?

Mr. KULP. My view in the future is one.

Senator CONNALLY. That is all we are dealing with, is the future. Mr. KULP. The immediate future, I mean. I would take what I can get at the moment.

Senator CONNALLY. You would take one?

Mr. KULP. Yes, if I can get it.

The CHAIRMAN. All right, proceed.

Mr. KULP. As for the rest of the bill I think a great deal of the work has still got to be done on the contributory contractual system. As the Senators know, the present proposal is for the Federal Treasury to postpone contributions until such time as income will exceed disbursements, perhaps about 1965. That, I think, would be very unfortunate from the standpoint of the average man. Persons now in middle age, and approaching the age of 65, would be receiving annuity payments for which they had not paid. It amounts to saying that the Federal Government will postpone its obligation until about 1965. On the other hand, if you ask the Government to pay over the whole sum required to set up reserves, the sum would be so considerable as to amount to as much as our present national income. I think the contributory annuity plan could safely be postponed, because we propose, in any event, to continue assistance to persons unable to take care of themselves. I think that whole subject requires much more study than it has had up to the present time. I should say postpone the contributory system, continue, expand your program of paying old persons unable to take care of themselves, as poor-relief cases.

The CHAIRMAN. If you desire to elaborate your views just put them in the record, Professor.

Mr. KULP. Thank you.

The CHAIRMAN. Mr. Harriman.

STATEMENT OF HENRY I. HARRIMAN PRESIDENT, UNITED STATES CHAMBER OF COMMERCE

Mr. HARRIMAN. Mr. Chairman and gentlemen: I do not appear before you as an expert on the technical details of the bill. Mr. Marion Folsom, of our committee on social reserves, has already appeared before you and he has expressed much better than I could the technical questions and discussed technical details.

The CHAIRMAN. He made a very fine witness.

Mr. HARRIMAN. I wish merely to make a very brief and very general statement.

The Chamber of Commerce of the United States takes positions on matters of public interest by means of referenda and by resolutions of its members at annual meetings. Obviously, because of the shortness of time since this program was presented to the public, we have not had the time to do that. We have had a committee, of which Mr. Folsom was one of the technical members, and of which Mr. P. W. Litchfield of the Goodyear Tire & Rubber Co. is the chairman, that has been studying these problems. The committee has not yet taken a definite position either for or against the pending bill and it will not do so before the bill is acted upon.

I think I may say that, in general, it recognizes the desirability of these two reserves, provided, they are set up without too great a burden upon industry at the start: We believe that these matters

must be more or less of an evolution, just as they have been in other countries. We, of course, recognize that, historically speaking, reserves of this type have been set up in Europe for many years. As far as my knowledge goes the only country where such reserves have been abandoned is Russia. In the other countries they have been continually experimenting and continually changing, and I haven't any doubt the history of these measures in our own country will be similar and that we will experiment with them, and for that reason it is the feeling of our committee that we should start these two important reserves in a very cautious way and develop by experience what is the ultimate plan.

May I say that in 1931 the chamber, by referendum vote, overwhelmingly committed itself to the principles of voluntary reserves for unemployment, old age, sickness, and accident. The vote was about 5 to 1 in favor of the setting up of such voluntary reserves.

Senator CONNALLY. You mean by that that the whole cost is to be borne by assessments?

Mr. HARRIMAN. They were set up by various companies on one plan or another. It was voluntary with the company as to the method or plan which it would set up.

Senator CONNALLY. Of course that sort of thing does not require legislation.

Mr. HARRIMAN. No; not at all. That was in 1931, before the depression had reached very great depths. Already substantially 400 concerns in the United States have such reserves for unemployment, and I think they cover approximately 2,000,000 workers.

The committee feels that if this bill is to pass, there should be certain modifications; and I feel with them, first, as to the unemployment reserve; and second, as to old-age reserves or pensions.

The first amendment that we would provide is that the employee should bear at least 1 percent of the 3-percent tax which is to be levied on the pay roll. In England, the contribution by employer and employee is equal; and in England, it is fair to say also, there is an equal contribution by the State.

Senator BYRD. Mr. Harriman, what is the percentage?

Mr. HARRIMAN. In England I think one-third is borne by the state, one-third by the employer, and one-third by the employee.

Senator BYRD. What is the total percent?

The CHAIRMAN. Four and one-half percent, as has been stated here.

Mr. HARRIMAN. The committee believes that such a contribution on the part of the employee is essential, so that the employee will help to keep the fund solvent by seeing that those who do not deserve the fund do not receive it. I believe this is a very important point.

Senator BARKLEY. The employer has the power to pass his contribution on to the public, while the employee does not have that power. Do you draw any distinction there?

Mr. HARRIMAN. The employer in the long run, undoubtedly will pass it on. I doubt if he can pass it on immediately. I do not suggest that the employee should bear, as in England, an equal amount with the employer, but I do think that a certain percentage should be borne by the employee. Mr. Folsom recommended one-half of 1 percent, and our committee recommendation would be, I think, 1 percent.

Senator BARKLEY. This contribution, as far as the employer is concerned, would become a part of the cost of manufacture and, of course, would be included in the price to the public.

Mr. HARRIMAN. Yes.

Senator BARKLEY. That cannot apply to the employee. He does not fix the price of the products, he does not participate in that except by his wage. If it turns out that the employer's contribution is finally made by the public and the employee's contribution is not, then the employer ultimately pays no part of the tax.

Mr. HARRIMAN. Of course, in the long run again, wages are determined, at least to an extent, by costs, and this becomes part of the costs of living.

Senator BARKLEY. And the costs are always determined, in the long run, by wages.

Mr. HARRIMAN. Yes. I recognize that there is good argument both ways, but it was the feeling of our committee that the value of a direct contribution, very small in amount, would be very substantial. The committee felt that it would prevent demands for unreasonable increases in the future. A man is always more reserved in asking for something of which he pays a part than where it is a mere grant to him.

Senator BARKLEY. I concede the logic of the contention that if the respective contributions are to be taken out of the earnings of both sides that there might be some justice in making both sides contribute; but if one has the power to get out from under and the other does not have that power, that presents to me a different situation.

Mr. HARRIMAN. I am perfectly free to grant there is a good argument both ways. The experience, certainly, of England is that it is wise to have the joint contribution.

The second suggestion that we would make is that there be exempted from the operation of the fund agricultural workers, domestic servants, and casuals. I should think that it would be, as a practical matter, practically impossible to collect the tax on, for instance, the casual worker—the man who comes in and works in your garden for a day or two, or he shovels snow. I think the burden of setting up an organization to collect such taxes would be substantially impossible; and I believe that, certainly at the start, it would be very much better to remove those three classes.

Senator HASTINGS. You do not think this exemption in the present bill of three or four classes of persons, whatever it is, is sufficient to do that?

Mr. HARRIMAN. No; I do not think so.

The third suggestion is that the pay-roll tax apply against only that portion of the wages which are considered in determining the benefits; that is, up to \$250 per month.

Senator CONNALLY. You mean you would not tax men whose salaries are below \$2,500 a year?

Mr. HARRIMAN. I would tax up to \$250 a month.

Senator CONNALLY. \$3,000 a year?

Mr. HARRIMAN. Yes; because he would receive a benefit based upon that in return. I believe the "white-collar" man, who has been drawing a large salary, is very often in need, on this type of relief.

Senator CONNALLY. Why should not you tax him on his whole salary, then?

Mr. HARRIMAN. Because the benefit is not based on his whole salary.

Senator CONNALLY. This whole bill is predicated on the theory that somebody would continue to be employed and would not draw any benefits. I think that all ought to be taxed. Why should you, as president of the company, drawing \$25,000 a year, not pay as well as the fellow drawing \$25 a week?

Mr. HARRIMAN. Of course, the \$25-a-week employee will receive a benefit based upon 50 percent of his wage. The man drawing \$25,000 would receive a benefit based upon only \$250 a month, or \$3,000 a year.

The CHAIRMAN. Mr. Harriman, your suggestion, then, is different from the bill?

Mr. HARRIMAN. Yes.

The CHAIRMAN. It is different in that the bill exempts all whose salaries are over \$250 a month, while your suggestion is they are to be taxed up to \$250 a month?

Mr. HARRIMAN. Yes.

The CHAIRMAN. No matter what they make?

Mr. HARRIMAN. Yes; on the basis of the benefits which he will later receive.

Senator HASTINGS. You are now talking about the unemployment compensation?

Mr. HARRIMAN. I am talking now about unemployment compensation.

Senator HASTINGS. That \$250 applies to the old-age compensation proposition, doesn't it?

Mr. HARRIMAN. I think it is \$50 a month, is it not?

Senator COUZENS. The \$250 is not in the bill, but it is proposed to be put in the bill.

Senator HASTINGS. I am sorry. I was not here when that occurred.

Mr. HARRIMAN. The fourth and a very important change is to provide, by various amendments, which Mr. Folsom has gone into with you, that existing company plans, if they are more liberal than the Federal plan, be allowed to continue, that in that case there be an exemption from the pay-roll tax; and, also, that the plans provide for the reasonable assurance of employment.

The CHAIRMAN. In other words, if the State wants to adopt the Wisconsin plan it may do it, or it may adopt some other plan?

Mr. HARRIMAN. Yes.

Senator HASTINGS. Do you disagree in any way with Mr. Folsom's recommendations?

Mr. HARRIMAN. No; except that our committee felt that 1 percent should be passed on to the employee rather than, as he suggested, one-half of 1 percent. I am not sure that that is a difference of any very great importance.

Turning now to the old-age pension, the old-age reserves, those are divided into three classifications. The first is for those who are now 65 years of age and for whom no reserves would be collected.

The committee feels that the plan for Federal grants to those who are now above 65 years of age should be amended to provide that the States may set up their own standards. There is now at least a strong inference that the Federal Government can use its power to raise standards. Eventually that may be necessary, but I do not believe

that anything looking toward fixed standards for the whole country is desirable, because living conditions and costs of living vary greatly in the different States. I believe that, certainly at the start, there should be the broadest ground in these pensions for the States to determine their own standards, toward which the Government would make a contribution.

Senator BARKLEY. Is there any such variation in the standard of living in the different sections of any other country where this system is in operation?

Mr. HARRIMAN. I do not think there is. Of course England is a very small, compact country. Germany, France, and Italy are relatively compact. There may be slight variations in different sections, but certainly not such profound variations as there are between the cost of living in New York and the cost of living in a southern or western agricultural State.

Senator BARKLEY. Do you think it desirable, over a long period, or as they say on the stock market, over a long pull, to try to bring standardization of conditions in the standards of living in this country?

Mr. HARRIMAN. No; I do not think so; at least I do not think we are wise enough as yet to say what that standard should be. If you are talking of the very distant future, that may be so. I think it is very desirable, in order to save inordinate burdens that might be placed on the States, because it has to pay one-half of the cost certainly of the contributory system, that these standards should be set by the States themselves, and I believe they will be set fairly. If later on there is proof that they are not, then the bill can be amended. I consider this bill only a first step; that it will be amended in a vast number of ways, as experience shows that is desirable.

Coming now to the plan for contributory reserves, we would suggest three changes. Again we would exclude agricultural workers, domestic servants and casuals, for the same reasons that I referred to in unemployment reserves.

Second, I would certainly permit existing private annuity plans to be continued as a substitute for the Government plan, under proper regulation and if they are suitable.

Finally, I do not agree with recent suggestions that have been made, that the tax be increased at this time, starting at 2 percent rather than 1 percent, and reaching its ultimate in 1947 instead of 1957, for the reason that the reserves that would be ultimately accumulated would be so terrific that I do not believe it would be possible to handle them safely. The reserves under the present plan will never exceed 11 billions of dollars. That in itself is an enormous sum, more than one-third of the whole national debt. If the amendments were made the reserves would reach at least 40 billions of dollars and might go to 50 billions of dollars. That is an unthinkable amount to be handled by the Government or by any other group. Of course if we were to set up the whole plan on the basis of annuities, without Federal contribution, it would go to 70 or 75 billions of dollars, which is one-fourth or one-fifth of the national wealth. So I think that the tax features should be left as they are.

I recognize that there are going to be very severe burdens, vast burdens placed upon the Government beginning in 1965 and reaching a peak, it is estimated of a billion and a half in 1980. I think, between the two dangers, it would be less dangerous to accumulate these huge

reserves. So I hope that the act will be left as it is. And, furthermore, there is the question as to whether, at this time, when we are in the middle of a depression, it is wise to burden industry more than is outlined.

The CHAIRMAN. The committee thanks you for your contribution, Mr. Harriman.

Mr. HARRIMAN. Thank you.

The CHAIRMAN. Mr. Lloyd A. Peck has asked to speak for 5 minutes. Mr. Peck is representing Mr. Coneby, and he is also representing the Laundry Owners National Association.

STATEMENT OF LLOYD A. PECK, JOLIET, ILL., REPRESENTING THE LAUNDRYOWNERS NATIONAL ASSOCIATION

Mr. PECK. Mr. Chairman and members of the committee, I am general manager of the Laundryowners National Association, with a membership of power laundries doing approximately 70 percent of the volume of business handled by this industry. According to the Bureau of the Census, this industry employed approximately 190,000 people during the year 1933.

We will not endeavor to comment in detail in connection with the proposed economic-security legislation represented by this bill under consideration. Our comments will be restricted to a statement of general opinion and recommendation in view of the probable results of this legislation on our industry, representing as it does, an investment of approximately a half billion dollars, and nearly 200,000 employees.

We are intensely interested in all of those conditions and proposals which will immediately alleviate the suffering caused by unemployment, but do not believe it is sound policy to enact legislation at this time which cannot possibly contribute to the correction of the unemployment problem immediately.

The tremendous burden proposed for employers to carry, through a pay-roll tax, will act as a definite curb on business expansion, and will likely eliminate many businesses now on the verge of bankruptcy. We contend that the portion of the burden to be carried by employees will further curtail their purchasing power, thereby increasing their difficulties in meeting actual living expenses. Therefore, this proposed social-security legislation will stifle recovery forces now at work and increase unemployment which the legislation is supposed to ultimately alleviate.

Speaking more directly for the laundry industry which we are charged to represent in matters of this kind by our membership, the vast majority of establishments cannot carry this additional burden without most serious consequences. According to the quite complete information assembled by our association in October 1934, a cross section of the more efficiently operated units in our industry showed a loss of 4.15 percent.

Senator KING. Is that a deficit or a loss from former standards of profits?

Mr. PECK. A loss on actual present operations.

Senator COUZENS. Is that due to competitive conditions?

Mr. PECK. It is due to a great many factors, not particularly competitive conditions. It is a loss of volume and some lowering of prices to maintain business and employment where it now stands.

Senator KING. Are you not under the code?

Mr. PECK. There is a code for our industry; yes, sir.

Senator KING. Under that code was not there some sort of agreement to not reduce prices?

Mr. PECK. No; that was never effective.

Senator KING. Did you maintain a uniformity of prices?

Mr. PECK. The code did not have any effect on prices, in connection with competitive conditions. There has been, I would say, some reduction in price voluntarily and in some cases cooperatively, in endeavoring to maintain some of our volume, to continue our units in business, and to continue employment for our people.

Senator BLACK. There has been some considerable increase in volume in many places, hasn't there?

Mr. PECK. Not considerable increases. 1934 showed few increases, from 5 to 10 percent in volume, which is a bare bend in the 50 percent, approximately, that was lost in volume.

Senator BLACK. I understand you to say, from your own information, the laundry industry has not increased its prices since its code went into effect.

Mr. PECK. No, sir. It is a rare case if they have.

The CHAIRMAN. All right, Mr. Peck, please continue.

Mr. PECK. This same data discloses the fact that exclusive of executive salaries the total pay roll averages 52.5 percent of the total sale. Under these conditions it is obvious that any tax on pay rolls of the proportion now proposed would result in most serious consequences. This particularly for the reason that our business is competitive with our own customers, laundering can be done in the home, which accounts for the loss of approximately 50 percent of our 1929 volume.

The CHAIRMAN. Have you taken into consideration the Chinese laundries? Do the Chinese laundries come in there?

Mr. PECK. There is Chinese hand laundry competition, yes, sir, but that is not a serious factor from our industry standpoint. It is the question of doing the laundry at home when the prices are such that they cannot afford to use the laundry; that is our greatest competition.

Senator KING. There has been an increase in home laundry then?

Mr. PECK. That is correct, much as they do not like to do it in the home. We cannot raise prices to absorb costs of operation.

The second important point which we wish to emphasize to this committee is our recommendation that those businesses that afford steady year-round employment be given separate consideration. Our business is not subject to much variation and, therefore, those people employed by this industry are assured of steady employment 52 weeks in the year.

Senator COUZENS. That is rather inconsistent with your previous statement that your business dropped off 50 percent.

Mr. PECK. I say the people who are employed by the industry have steady employment.

Senator COUZENS. When your business dropped off 50 percent, as you said, did not you drop off any employees?

Mr. PECK. That is correct.

Senator COUZENS. Is not that a variation in employment then?

Mr. PECK. It is a variation over long ranges of economic conditions, depression conditions, but in our employment, the people we can maintain on our pay rolls are given steady employment rather than seasonal employment.

Senator KING. Is there very much reduction in the number of employees by reason of your 50-percent loss of output?

Mr. PECK. Of course there had to be some to maintain the industry.

Senator KING. I was just wondering what percent it was.

Mr. PECK. I can say for our industry that it responded to the "share-the-work" movement in the early days of the depression and maintained employees that they did not need. Economic pressure, of course, made necessary these reductions in the number of employees to a point where they are in such a serious financial condition at the moment that any increased cost is a drain.

Senator BARKLEY. That has no relationship to the "share-your-wealth" business?

Mr. PECK. No. We believe it is the attitude of the employers to build up loyal, satisfied organizations, and to accept their responsibility in the economic scheme of things.

Senator BLACK. Have you the figures on employment in the laundry business in March 1932 and now?

Mr. PECK. I do not have those here with me now.

Senator BLACK. Can you send them to us?

Mr. PECK. I can get those for you. You want March 1932?

Senator BLACK. Yes; and now.

Mr. PECK. I can give you the employment figures, the number of employees for 1931 as compared with 1933, which are census figures.

Senator BLACK. What is that?

Mr. PECK. The number of wage earners in 1931 was 217,000 and in 1933 it was 175,000. There is a little difference there in the classification by the Bureau of Census of about 14,000, which would make apparently around 190,000 in 1933 as compared with 217,000 in 1931. I will say this, that employment has not dropped in our industry to anywhere near the degree that sales have dropped.

The CHAIRMAN. Will you furnish for the record the other figures desired by Senator Black?

Mr. PECK. Yes, sir.

Senator BLACK. Can you also give us the average hours worked in 1931 and 1933?

Mr. PECK. No, sir; but there has been a rather marked reduction in hours over the past 3 or 4 years.

Senator HASTINGS. Can you give us any idea of the average wage earned by these employees?

Mr. PECK. That would be a rather involved statement. I haven't it complete because it varies by various sections of the country. It happens that ours is an industry where the wage rates vary very markedly in different sections of the country.

The CHAIRMAN. Have you about finished your statement Mr. Peck?

Mr. PECK. Very nearly, sir.

The CHAIRMAN. I may say to you if you want to elaborate and put into the record any further statements you may do so.

Mr. PECK. If I may continue about 1 minute, sir?

The CHAIRMAN. All right.

Mr. PECK. It does not seem fair for industries such as ours to be required to set up reserves and carry the load for seasonal or fluctuating businesses, which do not afford steady employment to their employees.

In general we submit that, first, too ambitious and comprehensive a program has been proposed which, if enacted, might develop problems unforeseen at the moment and fail in the objectives contemplated, and, certainly, because neither employees nor employers in our industry can afford to carry such a burden at this time; and, further, the benefits from such a program will not become effective for a considerable time, and it will curb recovery so much needed at the moment, therefore, we strongly recommend postponement of legislation to establish the social-securities program.

The CHAIRMAN. Thank you, Mr. Peck.

Mr. James A. Emery, representing the National Association of Manufacturers.

STATEMENT OF JAMES A. EMERY, NATIONAL ASSOCIATION OF MANUFACTURERS, WASHINGTON, D. C.

Mr. EMERY. Mr. Chairman and gentlemen of the committee, with your permission I would like to make a general statement with respect to the position of the association and present to you two witnesses on special features of the legislation, one dealing, from personal observation and study, with the British experience as applied to this proposal, and the second, the economist of the association with respect to the operating effect of the tax in the form proposed.

The CHAIRMAN. Mr. Emery, those witnesses proposed are not on the calendar for today. How long will they take?

Mr. EMERY. That would depend upon the committee in part, Mr. Chairman.

The CHAIRMAN. The committee will adjourn at 12 o'clock.

Mr. EMERY. There may be some inquiries with respect to the statements made.

The CHAIRMAN. About how much time will these two gentlemen want?

Senator KING. If we do not interrupt them.

Mr. EMERY. I will say for Mr. Gall that his statement would take substantially about 20 minutes, and as to the economist of the association, he might perhaps take quite as long or a little longer.

The CHAIRMAN. They will have to be heard some other time.

Mr. EMERY. I would like to have them follow me, if I may, because it makes a connected statement with reference to the subject matter under consideration.

The CHAIRMAN. You may proceed, Mr. Emery.

Mr. EMERY. Mr. Chairman, in order to make the general position of the association clear, with respect to the principles involved in this legislation, I would like to call your attention to the fact that their position with respect to it was adopted at a convention of the association held in December, at which were present some 1,460 manufacturers from all parts of the United States, representing every variety of industry and operating in more than 40 States of the Union.

Their position is one of general sympathy with the objectives to which the legislation is aimed; that is, to provide assistance and a measure of reasonable security against the major hazards of life, so

far as it may be reached either by the private conduct of the individual or with the assistance of legislation validly aimed at the attainment of those objectives. We feel, however, that there are serious considerations which should be laid before the committee with respect to the capacity to maintain the burden that would be placed upon industry, and especially in view of the form of the tax here levied.

That goes, of course, to the question of whether the legislation which you have under consideration would aid this situation, in the light of your general objective the obtainment of recovery that private enterprise may resume, maintain and expand its normal employment. The approach of industry is well stated by Francis Place, whom Macauley described as "the greatest radical writer in England," who made a most commendable contribution to employment and labor conditions in England. He said:

Every man who greatly desires the well-being of his species has no doubt felt repugnance at finding himself compelled to abandon, as it were, the notions he would fain indulge without alloy, and to descend to calculations and comparisons of losses and gains, of trade, commerce, and manufacture, of the nature of rents, profits, and wages, the accumulation of capital, and the operation of taxes. But he who would essentially serve mankind has no choice; he must submit himself patiently to the pain he cannot avoid without abandoning his duty.

Now the situation with which we are confronted generally in this country today is a national debt which, at the conclusion of the fiscal year, will amount to substantially 32 billion dollars; that in addition thereto we have the debts of the States which bring the total to the neighborhood of 48 billion dollars; the fixed charges against this will substantially amount to about a billion and a quarter annually, in addition to the sums necessary to provide for sinking fund to retire the debts as they progress; that we are confronted now with an annual expenditure, of a public nature, national, State and local, of substantially 14½ billion dollars; we have estimated private debts aggregating about 217 billion dollars; we are confronted with increasing debts, with increasing taxes, in every direction, and there is an obvious necessity for relating these debts of the States and the taxes of the States to the tax structure of the Nation without piling up a burden that would be so excessive as to threaten the recovery of private industry itself. This is essential to the stimulation, the maintenance and the expansion of employment.

The relation of this tax structure to that of the States at all times is a matter of serious consideration for this committee, since we have reached the point, as the President has very dramatically stated, in which we are paying substantially "one-third of the income of the United States" for the "luxury of being governed."

I want to call your attention, then, in my statement, to substantially three things: First, to the nature of this tax and its operating effect. Before directing your attention to that, I want to call your attention to the record of previous studies which have been made by the Senate of the United States in field of unemployment insurance; one in 1928, under the chairmanship of the distinguished Senator from Michigan, by the Committee on Education and Labor, of the Senate, which declared:

Whatever legislation is considered on this subject, your committee is convinced, should be considered by the States. The States can deal with this subject much better than the Federal Government.

Further the committee said:

Insurance plans against unemployment should be confined to the industry itself as much as possible. There is no necessity and no place for Federal interference in such efforts at this time. If any public-insurance scheme is considered it should be left to the State legislatures to study that problem.

Later, under Senate Resolution 483 of February 28, 1931, proposed by Mr. Wagner, a select committee of the Senate was appointed by the Senate to investigate unemployment insurance and make recommendations. That committee consisted of Senator Hebert of Rhode Island, a distinguished insurance authority; Senator Glenn of Illinois; and Senator Wagner of New York. The committee was appointed, held hearings and made studies between April 2 and December 10, 1931, reporting to the Senate on June 30, 1932. That committee reached the conclusion that:

The subject of unemployment insurance is not within the sphere of congressional action.

After studious examination of the questions of policy and law involved, there was no disagreement with the separate views of Mr. Wagner, which further urged:

The enactment of Federal legislation permitting a deduction of 30 percent of the cost of unemployment reserves or insurance, not from gross income, as recommended by the committee, but from tax.

He further specifically proposed:

2. Unemployment insurance or wage reserves to be successful, should be inaugurated under compulsory State legislation and be supervised by State authority.

3. The Federal Government should encourage State action by (a) cooperating with the States in the establishment of a Nation-wide employment service, and (b) by allowing employers to deduct from income tax a portion of their payments into unemployment reserves or toward unemployment insurance.

4. Every system of unemployment insurance for reserves should be organized to provide incentives to the stabilization of employment.

Now you are confronted here with the question of whether there should be a permanent system established levying burdens, many of which are indefinite and uncertain in their nature but the gigantic burden of which is obvious on the face of your proposal as the burdens accumulate. There is presented the further suggestion as to whether the legislation which you presently consider should be temporary in the matter of aids or whether it should be permanent in the light of what you would consider inadequate information in the possession of Congress at the present time. That is instanced by the fact that many of the most important and fundamental requirements of fact with which we presently require we do not possess adequate information on. Nobody can say, or at least we cannot say, from the information in our possession, what the extent of unemployment is, what it is in various industries and its causes. We have estimates, numerous estimates and some even conflicting, but what the facts actually are we do not know. I will submit for the moment, because of some statements made before the committee, that with the rise and technical progress of manufacturing industries between these years 1900 and 1929, in spite of the fact that our population was steadily increasing, our technical progress extraordinary, our capacity for increased production multiplied, the manufacturing industries in

the United States steadily added an annual average of 100,000 persons every year to their pay rolls. Between 1932 and 1934 they have, in the face of all of the difficulties with which they have been confronted, added over a million men to the pay rolls of the industries during this period of time and sustained a very large body of employees in their desire to assist in this situation, many of whom were not essential to the maintenance of the rate of production which the consuming capacity of their customers presented.

Now it has been said that we can readily pass on the form of tax which is here presented. I want to call your attention to the fact that if you pursue a pay-roll tax of the form which is here presented—and I address myself to the unemployment insurance aspect of the tax because the principles there established apply in part to the contributory system of old-age insurance, which would be an additional tax levied on the same pay roll—I want to call your attention to the fact that it is not obvious, in fact it is contradicted that the form of that tax would be readily passed on as a part of the cost of the goods. On the contrary, we think that the pay-roll tax, as it is presented to you, will operate as a turn-over tax, and that it will operate to re-duplicate the cost of the article to the consumer, and the labor cost of the article as produced all the way from the first operation in the raw material up to the ultimate article sold to the consumer, according to the number of operations that may be involved, between the use of the basic material itself and the ultimate form which it takes for consumption in the market.

Senator KING. You think there would be pyramiding then of these various taxes?

Mr. EMERY. There will be, sir, a pyramiding that will operate in many ways. I want to call your attention to the fact, first of all, that it falls in equal amounts upon those employers operating at a profit and those operating at a loss. That becomes a serious factor in a situation like the present. The consolidated corporate returns of the United States will show that since the year 1930 corporation business in the United States has operated without profit, and the net deficit in their operation in 1932-33 has been between 5 and 5½ billion dollars annually. Yet, in spite of that, the proportion of the national income which has gone to compensate labor operations, has been maintained at about two-thirds of the whole, during that entire period.

The pay-roll tax is cumulative in its effect on the cost to the consumer from, as I have said, the raw material to the finished product. It cannot be theoretically held to be passed on. This would be especially true of what we call "price goods" and what we would call the "durable" or heavy goods. That is especially important, because at this time we know the bulk of unemployment lies in the field of the durable or capital goods industries. It lies there most heavily. Those are the industries most difficult to revive, because the financing is carried on over a long period of time. Such goods are not paid for on delivery. They require long-term investment. It is in that field that the greatest amount of unemployment exists today. The same is true of the service industries, tributary to the capital goods industries.

The higher the percentage of labor cost the more telling is the relation to the pay roll. The relation of the pay-roll tax to the final cost of the article will be determined in the individual instance by the percentage of wages and salaries to the total cost of production.

This becomes evident when you notice that in the industries themselves the labor cost of an article itself will run all the way from a minimum of 4 percent to the maximum of 70 or 80 percent. So the percentage of the pay-roll tax in relation to the labor cost of the article will rise in accordance with the unit of the labor cost which is involved in the industry itself.

Senator BLACK. What is the average?

Mr. EMERY. The average would run somewhere around 35 percent, I think.

Senator BLACK. I saw some figures the other day purporting to be released by the Bureau, to the effect that the average amount that went to labor from the increased manufacturing was 16.6 percent.

Mr. EMERY. That is the labor cost of the article?

Senator BLACK. Yes.

Mr. EMERY. I doubt that very greatly, because it would all depend upon the character of the industry. It is peculiarly true that the labor costs will increase very greatly in so-called "service industries" as distinguished from producing industries. Take the railroads for example. That is a service industry in which the labor costs represent a very high proportion of the dollar spent for transportation.

Senator BLACK. That was information given, as I recall, by the Labor Department.

Mr. EMERY. The tax is inequitable between employers because it often occurs that two companies with the same pay roll, paying the same tax, have obviously a different gross annual business, according to the nature of the product, the rapidity of the turn-over, and the risk in the particular industry involved as to either profit or loss. Of course our industries are not conducted on a profit system, but on a profit-and-loss system.

The pay-roll tax, in its effect, is a production tax, a distribution tax, and an additional processing tax. On the theory that it is to be carried forward as a part of the cost of operation, it is a turn-over sales tax with all of its disadvantages and none of its benefits. To the extent that it is transferrable—and this in many instances is impracticable—it is a hidden sales tax paid by each purchaser for a given product or service. When I say it would be carried forward in many industries, it must be obvious in what are called price-goods industry, for instance the large supply of goods to the 5- and 10-cent stores, or the department stores, stores of that character, where the margin of profit is so narrow it is quite impossible to add a new cost to it in the terms inferred in the relationship here between the labor costs of the article and the pay-roll tax itself.

Of course it is asserted that foreign countries operate under this tax. It will have to be realized that they operate on a lower standard of living. It is a fair presumption that the cost of such taxes is a partial reason why they are unable to maintain the standards of living which we possess.

The Congress has rejected a general sales tax or a manufacturer's sales tax on the ground that it would be passed on to the consumer. The present tax is being urged on the ground that it will so operate and its cumulative effect is apparently ignored.

It is said that the method of taxation proposed, as it meets with response by the States, will secure uniformity in costs of production. If competitive equality will be produced among the States, we obvi-

ously face competitive inequality with foreign competition. It is a serious question as to whether the equalization of the costs of operation among the States is a sound policy, because, on the contrary, we are not only due to respect the differences in economic conditions, the advantages in lower living costs, access to raw materials and the various natural advantages enjoyed by the States, but, throughout the life of the N. R. A., the claim for labor differentials, based upon a recognition of these inequalities, has been a continuing issue requiring recognition and adjustment. This tax discourages rather than encourages an increase of employment, for every additional employee adds to the tax. As it became more onerous it would stimulate mechanization, for it is men that are paid, not machines. Just as the increasing cost of accident compensation calls for higher physical standards in the selection of employees, so the penalizing of a pay roll is not a stimulating method of encouraging employment itself.

I want to say just one more word on the nature of this tax itself from a legal standpoint, and the difficulty that is presented here if you pursue a pay-roll tax in the form proposed in this bill which, upon the face of it, has as its purpose not merely stimulation of legislation by the States, but the very purpose of the legislation upon its face, is to compel the legislative action of the States. It is not the purpose of this legislation, on its face to raise revenue for the Federal Government. On the contrary, the success of this bill as a revenue-raiser would be the defeat of its purpose as social legislation. It is intended not to produce revenue but to produce legislation. Its objective is to secure that legislation and for that purpose it levies a tax, requiring State legislation as a condition of the employer receiving the credit which he is to obtain under this bill. He is to receive his credit only on condition that the State accepts the conditions which are laid down by the Federal Government, and legislates in accordance with such standards and submits to the Federal Government the control of all the funds which it raises and places them under the management, direction, and investment of the Secretary of the Treasury.

The real question that arises in that connection is the very serious one as to whether or not the tax so levied is a tax at all because we understand that a tax is a charge or a pecuniary burden for the support of government. It is the compulsory taking of private property for public purposes and in that sense it is the taking of private property for the purposes of securing Federal revenue. On the face of it—and it is only on the face of legislation like this that the test of its validity as tax legislation can be determined—on the face of this proposal it is not intended to secure revenue for the Federal Government. Nor is it intended to secure revenue for the Federal Government for the general objectives of this legislation for the revenue procured by the Federal Government is not earmarked to take care of or contribute to unemployment compensation itself, it is intended to go into the General Treasury of the United States—so much of it as is retained, if any is retained at all, by the nonaction of the States. It is intended, under these circumstances, to be used for general and not for special purposes.

Senator COUZENS. After making that statement, do you conclude that that provision is unconstitutional?

Mr. EMERY. I think it is a very serious question. I think the question raises most serious doubts if you proceed in this manner with this kind of a tax.

Senator BLACK. May I ask you one question. As I understand it, your idea is if it is unconstitutional it is because the Government is raising money for some purpose other than the purpose of raising money to pay for the expense of running the Government?

Mr. EMERY. No; it is because the purpose is not to procure revenue to run the Federal Government but to produce legislation on the part of the States.

Senator BLACK. Yes.

Mr. EMERY. And the purpose of the legislation is not to obtain revenue which is to be used for Federal purposes but to obtain legislation which the Federal Government believes should be enacted and it will obtain it in accordance with standards which Congress lays down, by virtue of which, if accepted, the tax is recovered by the citizens of the States.

Senator BLACK. In other words, fundamentally your statement is that the object of the tax is to raise money for government purposes?

Mr. EMERY. It is to be raised for Federal purpose in this instance, because it is a Federal taxing authority.

Senator BLACK. What about the tariff tax that is raised for the purpose of the so-called "protection" of American goods, which went so high at one time that they had to redistribute it among the States; was that unconstitutional?

Mr. EMERY. The Supreme Court has passed on that entirely, it uttered the last word, and I accept it, although not entirely with the description supplied by the Senator.

Senator BLACK. Yes.

Senator BARKLEY. One of the things that offers an objection to the tax and that raises the question of constitutionality in your mind is that it is to be used for general purposes by the Government although it is in the guise of a tax for unemployment insurance, as far as the money that is retained by the Government is concerned because some States may not take advantage of it, may not pass the law and comply with it?

Mr. EMERY. That is true, Senator.

Senator BARKLEY. I do not know whether it is wise or proper for the Federal Government to levy a tax on pay rolls or anything else in the States for the purpose of unemployment insurance and then use that money for general purposes. The question of constitutionality does not seem to me to enter into it. It is a question of policy and wisdom.

Mr. EMERY. I think, Senator, if you will permit me, the serious question is raised on the face of the tax because it is the first time that I can remember, and I think there is no other instance to the contrary, where the Federal Government, on the face of its own tax measure, has provided the means of defeating its own revenue. That is precisely what this tax does.

Senator BARKLEY. If all the States came along and complied with this statute of course the Federal Government would be deprived of the revenue raised by this tax.

Mr. EMERY. Except that part of it which it retains for the purpose of administration which amounts, on its own calculation, to 10 percent of the whole.

Senator BARKLEY. Insofar as any number of States refuse to follow suit and go on with this law the Federal Government will gain?

Mr. EMERY. It will.

Senator BARKLEY. That is one of the things it seems to me that it will be necessary to have, in order to offer an inducement, or to have a sort of a penalty to compel States to act. It is unfortunate that we have to do it that way, it seems to me.

Mr. EMERY. If you will pardon me, Senator, the moment that you attach the view which you have so well expressed of a "penalty" to secure legislation by the States you are immediately confronted by the child labor tax case, *Bailey v. Drexel Furniture Co.*, (259 U. S. 39), and *Hill v. Wallace*, (259 U. S. 44).

Senator BARKLEY. I do not think the question raised in that case is analogous at all.

Senator GERRY. Haven't you done it in the estate tax?

Mr. EMERY. No sir. The estate tax involved no suggestion upon its face or in its terms of any efforts to compel or influence the enactment of legislation by the States. On the contrary, 46 States had already enacted legislation. Furthermore, the revenue derived was for no other purpose than the support of the Federal Government. To provide an analogy, it would have been necessary for the estate tax to have made the credit against the State levy available only on condition that such estate tax was conformable to standards established by the Congress. On the contrary, each State was left without suggestion as to the form of its own tax.

Senator GERRY. The idea was to make the States raise the estate tax.

Mr. EMERY. There is no suggestion of that on the face of the legislation. The ulterior purposes of Congress are never open for examination to the court, except the purpose of Congress is expressed on the face of the legislation. In the child-labor-tax case you had already had the previous act of Congress invalidated, in the 247 U. S., as a direct attempt on the part of the Federal Government to regulate production within the States under the guise of regulating commerce. In the child-labor-tax case you had a tax of 10 percent, in addition to all other taxes, levied on the product of labor under the same terms and conditions as the previously invalidated act. The court then took the position that on the face of this legislation the regulation provided was not incidental to the collection of the tax, which is the true test of whether or not it is a revenue act or a tax. On the contrary, it was obvious, on the face of the act, that it was intended, by a penalty, to compel the States to legislate in the manner desired by the Federal Congress.

Senator GERRY. I think you will find in the debate in the Senate that that matter was covered in the discussion of the estate tax.

Senator COUZENS. May I ask, Mr. Emery, whether you are opposed to this bill? Are you going to propose anything with respect to relief of unemployment?

Mr. EMERY. Yes, sir.

Senator KING. I hope as many Senators as possible will remain, because it is our desire to have Mr. Emery finish and to have the other two witnesses before we adjourn.

Senator BARKLEY. It is impossible to do that. The other two witnesses will take 20 minutes apiece; and with the questions that

are liable to be asked, it will take over an hour. I thought it was understood that we would finish with Mr. Emery, if possible, and then come back with the others tomorrow. Most of us have got to go on the floor.

Senator KING. The chairman of the committee wanted the committee to continue and hear Mr. Emery.

Senator BLACK. I want to ask him one question.

Senator KING. Pardon me. The other two witnesses will be heard tomorrow.

Mr. EMERY. If you will permit me, Mr. Chairman, the testimony of the other two witnesses is much more important than my own, because it goes to the very heart of the bill and to the practicabilities of the measure itself.

Senator KING. You may proceed.

Senator BLACK. Mr. Emery, as I understand it, you take the position that the way we propose to raise money is unconstitutional and therefore we should not do it that way?

Mr. EMERY. I say it raises a serious doubt as to whether it is constitutional.

Senator BLACK. You would agree with me, I assume, that we would have a perfect right to raise it by an excess-profits tax, a manufacturers' tax, a tax on high incomes, high inheritances—that we could follow the plan we had adopted heretofore in reference to State highways, where we granted the States a subsidy; you would not raise the question of constitutionality on that kind of a tax, would you?

Mr. EMERY. No.

Senator BLACK. You think that kind of a tax would be constitutional, and you think this one that we are considering now is not constitutional?

Mr. EMERY. I would not question the constitutionality of an excess-profits tax and estate tax or income tax, as long as you would raise revenue by it.

Senator KING. Unless it was confiscatory.

Senator HASTINGS. Mr. Emery, what would you say about a Federal tax levied for the specific purpose of taking care of the unemployed? Do you think that is within the Constitution?

Mr. EMERY. You mean if a special tax were raised for the purpose of meeting the emergency conditions with which we are confronted, in further aid to the unemployed?

Senator HASTINGS. Yes.

Mr. EMERY. I think somewhat contemporaneously the exposition of the situation in the form of State aid gives very considerable support to such a proposal, where the funds are raised to meet the existent emergency, and that passes away when it passes away.

Senator HASTINGS. Do you not think the way we have escaped that in the past is we have made those contributions out of the general fund. Would it not be very much safer to provide for the payment out of the general fund and then levy the necessary taxes to meet the general fund, without specifying that it must be used for a specific purpose, like taking care of the unemployed?

Mr. EMERY. Of course the limit of a Federal tax for State aid raise questions that are not—I want to make it clear—capable of a juridical remedy. In testing the validity of it, and you may be able to levy

a tax which in some respects might be entirely anticonstitutional, but might be unconstitutional with reference to the levy of this tax.

Senator HASTINGS. I agree with you entirely.

Senator KING. Proceed.

Mr. EMERY. The only thing I want to say in conclusion, Mr. Chairman, on that point is I would like to refer to one additional case, *Florida v. Mellon* (273 U. S. 11), and simply call your attention to the fact that in that case, which went to an effort on the part of the State of Florida to prevent the collection of the Federal estate tax, the simplest examination of that case, in comparison with those I have cited here, would show there is no analogy between the two. No argument can be drawn from the Florida case whatever to support the suggestion that the estate tax was enacted, or that it was administered for the purpose of compelling any action on the part of the States. No analogy can be found between these two, unless the condition for the receiving of credit by the citizen through the payment of the estate tax rested upon the proposition that the Federal Government had attached conditions to it which compelled the States to enact legislation in order to receive the credit for the citizen. It was obvious on the face of this tax that the regulations suggested is not for the purpose, incidentally, of assisting in its collection or administration and enforcement, but that the tax was levied with no intent to secure the revenue but with the major purpose of securing action by the State.

So as a general conclusion we point out that on the face of this legislation, the success of it as it is written, as its proponents assert, as its terms identify it, all go to the proposition that as a revenue measure it must fail in order to be successful as a social measure. In other words it will fail exactly to the degree contemplated by its proponents if it raises revenue instead of procuring regulation by the States, and thus carries on its own face the means of defeating its own revenue objective.

Senator HASTINGS. Did you put in the record the reference on that Florida case? You may hand it to the reporter.

Mr. EMERY. Now, Mr. Chairman, I would like to present two additional witnesses to you who are more expert in the presentation of the case than I am.

Senator KING. The chairman is very anxious that we conclude this hearing this morning, but all the other Senators who were here are departing and they have insisted that we adjourn at this time, so in obedience to their wishes I shall declare the meeting to stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at the hour of 12:10 p. m., the committee adjourned until 10 a. m. of the following day, Friday, February 15, 1935.)

ECONOMIC SECURITY ACT

FRIDAY, FEBRUARY 15, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m. in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. Mr. John C. Gall, representing the National Association of Manufacturers.

STATEMENT OF JOHN C. GALL, ASSOCIATE COUNSEL, NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. GALL. I appreciate the pressure upon your time and we will arrange, Mr. Sargent and I, to do as you suggest; in fact, I will put as much of my material as I can into the record without reading or without elaboration, so that Mr. Sargent can have at least half of the time.

Mr. Chairman, I think one way I can facilitate my presentation is to avoid duplication of testimony that has already been given you by other witnesses. I would like to invite the committee's attention to the hearings held last year on the Wagner-Lewis bill before the House Ways and Means Committee and particularly to my testimony beginning at page 313 and ending at page 357 of the House record of hearings on that bill.

I do that because I want to make it clear that I am not duplicating testimony that I gave over there. At that time when the committee had substantially the principle of the unemployment-compensation sections of this bill before it, I discussed the legal phases of the bill and the nature and operation of a pay-roll tax such as is proposed here. Today I want to confine myself to the subject of unemployment insurance and particularly to the British experience with unemployment insurance.

As a background for that discussion, I would like to call your attention to some official statements made by the present Secretary of Labor in connection with the Wagner-Lewis bill last year. This is taken from the hearings before the House Ways and Means Committee, March 21 to 30, 1934.

The Secretary of Labor said:

At the present time, if you look over the whole history of the English unemployment insurance fund, you will find that they added the war risk to it, and they added the demobilization of industry after the war without contribution to it, and then they added shipping and coal, which are the two terribly depressed industries, where they would have had to bear the burden and cost of maintaining their population by relief anyhow. If they had not added those two industries the fund would have been solvent today.

That of course, gentlemen, constitutes an admission on the part of the Secretary of Labor that the British system of unemployment insurance was insolvent at that time.

A little further in the record of the same hearings, in response to a question from Congressman Cochran of Pennsylvania, the Secretary of Labor said:

The German fund became insolvent about 5 years ago due to a very prolonged period, as you know, of unemployment and no employment, and therefore constant depletion of the fund. They translated it at once into a relief fund.

So that the Secretary testified at that time that both the English and the German systems had become insolvent. Later, however, at the annual meeting of the American Federation of Labor, October 5, 1934, the Secretary of Labor said this:

The significant fact now stands out that in no country which has experimented with unemployment insurance has the system broken down, even in the present world depression, and in no country has the public treasury been called upon for amounts to relieve distress approximating our expenditures for relief.

Those two statements by the Secretary of Labor about the operations and the condition of the English system in particular are diametrically opposed; they cannot be reconciled, and because the record so far contains nothing but generalization and opinions about the operation of the foreign systems, I have undertaken to bring to you today a statement of facts as to the operation of the English system.

I think I can best conserve your time if I will read a portion of the statement I have prepared covering the English system. I would not read it, but I would insert it in the record in its entirety were it not for the fact that I am quite sure that some members of the committee would like to ask questions about some phases of it, which I could not possibly elaborate on in a brief statement.

However, due to the pressure of time, I shall not read the statement but request that it go into my testimony at this point as though read, as follows:

It is constantly urged that the United States should adopt a system of compulsory unemployment "insurance" because, it is alleged, we are the only civilized Nation that does not have such a system. We are further told that European systems have worked successfully; the Secretary of Labor a short time since told the American Federation of Labor (an organization which, incidentally, has until very recently opposed compulsory unemployment insurance) that in no country which has adopted such a system had it broken down.

Obviously, adoption of such systems in other countries has little persuasive value for us, except to the extent that political, economical, and social conditions are similar, and then only if it can be shown that they have worked satisfactorily. What are the facts?

It is true that the principal countries of Europe have systems of unemployment insurance. In the case of France, the system is not a compulsory one but a voluntary one, under which the government merely makes allotments to trade unions and mutual-aid associations to supplement funds contributed by their members. The government's proportion grew to 50 percent of the total by 1931, and since that time has risen to as high as 90 percent in some classes. In other words, the French system is merely a provision of relief administered through private organizations.

The systems of Belgium, Denmark, the Netherlands, Norway, Sweden, Spain, Poland, and Switzerland are also voluntary.

Russia instituted a compulsory system in 1929, but has since abandoned it. Contributions were by the government only, which means that the system lacked every characteristic of unemployment insurance and was nothing more than a scheme of monetary relief provided entirely by government.

Italy has a system; but she also has a dictator and a completely controlled industry. The same is true of Germany. The Italian system was initiated in 1919 by decree, the German not until 1927.

It is obvious that Russia, Germany, and Italy, operating under dictatorships, and with complete state control of industry and labor, offer no precedent either for or against institution of compulsory unemployment insurance in the United States. Let us turn, then, to the one major European country which has adopted a compulsory system, and whose political institutions and national characteristics are such as to afford a body of experience worthy of careful study.

The basic unemployment insurance act of Great Britain was adopted in 1911. It was the first compulsory scheme adopted by any European country. Prior to its inauguration, there had been an exhaustive investigation by a royal commission on the poor laws, from 1905 to 1909. Contrary to popular belief, the royal commission recommended not a system of compulsory insurance, but a voluntary system similar to the French and Belgium.

However, when the national health insurance bill was put forward by Mr. Lloyd George in 1911, it contained title II, providing a tentative and very limited compulsory unemployment insurance scheme for workers in six industries. Thus, as one authority tells us, compulsory unemployment insurance "crept on to the statute book under the shelter of its more conspicuous twin." (Ronald C. Davison, in *The Unemployed*.)

The industries originally covered were: Building construction, shipbuilding, engineering, construction of vehicles, ironfounding, and sawmilling.

The number of workers covered was $2\frac{1}{4}$ millions.

Mr. Ronald C. Davison, an authority on the British system, and himself an advocate of compulsory insurance, says of the original scheme, to which there was wide-spread opposition from both labor and employers:

"Seldom has the scientific social reformer had a larger hand in legislative schemes. * * * The most important of all these secondary provisions was that which offered subsidies to unemployment funds set up by voluntary associations, i. e., by trade unions, in any industry. This provision was clearly a sop to those who, like the poor-law commissioners and the trade unions themselves, advocated the continental system of grants in aid of voluntary insurance, but it was never a success, and it was jettisoned in 1918. Similarly, there were clauses * * * holding out the prospect of rebates to those employers who gave regular employment and to those work people who received it. * * *

"All these devices have gone by the board now. * * * Speaking generally, the preventive elements in the scheme were in effective or unworkable."

The new act became operative in July 1912, but no benefits were to be paid for the first 6 months.

In the meantime trade conditions took a sudden upturn and 1913 was a boom year. The percentage of unemployment was the lowest in many years, and 1914 was an even better year. As a consequence, there were almost no claims made on the insurance fund during those 2 years. Such as were made were largely by building-trades workers, and these were due to seasonal factors.

It is important to note that the industries covered by the act were fairly well unionized industries, and therefore had a large percentage of skilled workers. Later studies showed that if the scheme had from the outset covered industries having a low percentage of skilled labor the drain on the fund would have been much greater, for there is a much higher normal unemployment among unskilled than among skilled workers. The scheme, therefore, from the outset covered those most able to help themselves.

Great Britain entered the war in 1914. Within 2 months, unemployment ceased to exist, and we are told that "involuntary idleness among wage earners was practically banished from the land for the duration of the war." Consequently, the insurance fund continued to grow by steady accretions, while few calls were made upon it.

In 1916, while the nation was at war, it became obvious that when peace came provision would have to be made for taking care, at least temporarily, of those called into civilian positions during the war, as well as for the military and naval forces when demobilized. Accordingly, in 1916 the insurance scheme was extended to cover all workers engaged on "munitions", which was held to mean practically all war materials and supplies. This practically doubled the number of people contributing to the fund, bringing it to about 4 million at the close of the war. The extension in 1916 was a

net gain to the insurance fund, since it doubled the number of contributors, but occasioned no claims for benefit. Indeed, immediately after the war few of these civilian war workers made claims on the insurance fund, because the Government provided generously for them, through grants known as "out-of-work donations", having no relation to the insurance scheme. This was in effect a "bonus" and was given not only to all ex-service men, but to every person of the working-class population over 15 years of age. Payments were made weekly to unemployed persons for a period of from 26 to 89 weeks. The principal test of eligibility was possession of a health insurance card.

During the time the out-of-work donations scheme was in effect, even workers who were under the insurance scheme did not make claims for unemployment-insurance benefits for the very simple reason that they were entitled to only 15 shillings a week (£3.75 at present exchange) while they receive 29 shillings under the other scheme.

Briefly stated, therefore, the unemployed-insurance scheme which had been started in 1912 came down to the beginning of 1921 without ever having had any real demand upon. There had been no real unemployment from 1912 until the end of the war, and when the war did end the unemployed were taken care of by Treasury appropriations amounting to \$300,000,000 in 18 months, during which time the insurance fund was practically untouched. At the end of 1920, the fund amounted to £22,000,000 (about \$110,000,000). And then came one of the many incidents which demonstrate what may happen to a worker's contributions after he had made them. "This saving" says Davison, "was ultimately transferred to the credit of the extended scheme in 1921, and the particular group of insured persons to whom it strictly belonged were compelled to share it with the rest of the 11,000,000 workers brought into the new insurance scheme by the act of 1920."

The new British act became effective November 28, 1920. It extended the 1911 and 1916 schemes to cover nearly all manual workers, and all nonmanual workers earning £250 or less per year. The act excluded approximately 4,000,000 agricultural laborers, domestic servants, government and railroad employees.

Within 8 months the surplus of £22,000,000 had been dissipated. From that time forward the system operated with a continually enlarging deficit until it reached the maximum borrowing limit of £115,000,000. It was never solvent, in any proper sense of the term, after it became a general scheme covering practically all workers as proposed in the report of the President's Economic Security Committee for adoption in this country.

Of course, various explanations have been given, but they do not alter the fact that the insurance system as such contributed practically nothing to the "economic security" of British workers during their long depression beginning in 1921 and which is not yet over.

In 1921 an amendment to the Insurance Act was adopted which had the effect of substantially emasculating it. This amendment provided for payment from the insurance fund of so-called "transitional benefits", chiefly to persons who had exhausted their right and regular benefit and persons who had never been able to qualify because they had not made the required number of contributions.

Since the original act was passed 24 years ago it has been altered 24 times, an average of once each year. The most far-reaching changes have occurred immediately after changes of governments, as in 1924, 1927, and 1931. Benefits have been raised, then lowered; contribution rates changed; the Government's proportion changed; transitional benefits given as a matter of legal right; supplementary benefits provided for dependents; stabilization provisions stricken out; and provisions requiring applicants to prove that they were genuinely seeking work but unable to obtain suitable employment eliminated.

The system, thus abused, and made the football of party politics, finally came to the end of 1931 with a debt of £115,000,000. It became obvious to everyone, even before 1931, that the national finances were in a perilous condition and that the expenditures by way of relief to the unemployed were a large factor in that situation. Accordingly, late in 1930 the Royal Commission on Unemployment Insurance was appointed. The terms of appointment recognized that the system was at the time insolvent because the commission was directed to make recommendations with regard to the scheme "and the means by which it may be made solvent and self-supporting."

It might be thought that with 20 years' experience back of them, the British could easily have perfected their insurance scheme without delay. This, however, was not the case. The commission sat for 2 years, making its final re-

port in November 1932. In the meantime strenuous efforts had been made to balance the British budget, and the heroic measures taken included changes in the insurance scheme which increased the rates of contribution and decreased the rates of benefit.

The commission recommended drastic revision of the basic laws, and in particular recommended restoration of the safe-guards which had been in the original act of 1911, but had been abandoned in later years. Parliament followed substantially all the recommendations of the commission and on June 28, 1934, an entirely new act received the royal assent.

One point worthy of notice is that beginning in 1921 Parliament acted from time to time to relax various requirements of the law in the belief that prosperity was "just around the corner" and that the relaxations would be only temporary. The "transitional benefit" scheme of 1921 was admittedly inaugurated on the theory that those workers who received the benefits were merely receiving a temporary advance from the insurance fund which would be repaid as soon as employment was restored. Unfortunately, this, like many other Parliamentary beliefs, was wholly illusory.

The importance of this point lies in the fact that we have no assurance as to when our own depression will end. It is clear that if the British had the thing to do over, and could know that their depression was really only beginning instead of being nearly over as they thought, they would not extend their limited system as they did by the 1920 act, but would await the return of business recovery. Yet we in the United States are being urged to institute a general system in the midst of an unprecedented depression, when no one can predict with any degree of certainty when normal employment levels will again be reached.

A year ago Secretary Perkins urged approval of the Wagner-Lewis bill, saying that it would not retard recovery because the tax liability would not begin to accrue until January 1935. Well, that date is here, but real industrial recovery is not.

William Green, president of the American Federation of Labor, stated before your committee on January 28:

"Since no benefits are to be paid under the unemployment-insurance system until 1938, by which time recovery is taken for granted, it would seem that we cannot offer to our wage earners less, in these times of recovery, than England has been able to maintain during depression."

The British took recovery for granted many years before it came. Shall we repeat their mistake? The danger is that we shall enact a system of unemployment benefits, and then, under the mistaken guidance of public officials who think recovery is just ahead, will relax the safeguards and repeat the experience which led to the break-down of the British system.

The National Industrial Conference Board has recently summarized what it conceives to be the chief lessons from British experience:

1. Unemployment insurance is not a remedy for depression unemployment.
2. Seasonal and casual unemployment tends to become permanent as a result of statutory unemployment relief.
3. Chronic unemployment, due to permanent loss of trade, must be dealt with by other measures than unemployment insurance.
4. Without an efficient and honest administrative force, unemployment insurance has no chance of success.
5. Any scheme of unemployment insurance must be accompanied by a plan of unemployment relief for the workers who lose their right to insurance benefits or who cannot qualify for the receipt of benefit and for workers in uninsured occupations.
6. If unemployment insurance is not supplemented by a scheme of relief, the temptation to extend statutory benefits to persons who are not qualified under the law is irresistible, making it impossible to avoid political raids on the unemployment fund until the state of national finances becomes so critical as to threaten the solvency of the Nation.
7. If unemployment insurance is uniformly applied to all types of unemployment, it impairs the elasticity of the economic system.
8. If unemployment insurance is not based on an accurate knowledge of the facts of unemployment, it will be abused both by workers and by employers.

In the United States reliable information concerning the extent and nature of unemployment is almost totally lacking. Before any compulsory scheme of unemployment relief is adopted it is necessary, therefore, to establish, under Government auspices, a fact-finding body, composed of representatives of

labor, industry, State and local governments, and the general public. The task of this body would be to make a thorough survey of the facts of unemployment, its nature and extent; to hold hearings and accept testimony from interested groups and persons throughout the United States; to give wide publicity to its findings; and to make recommendations for action by industry and by the legislatures. The results of such a survey would be of inestimable value in acquainting public opinion and the public representatives with the problems that arise in connection with an attempt to provide security against unemployment.

As a result of my observations in England, I can agree wholeheartedly with these conclusions. There is one additional factor which, however, ought to receive serious consideration, namely, whether in the event a system is established it should rest upon contributions by employers only; by employers, employees, and the Government; or employers and employees jointly. The British system is founded on equal contributions by all three parties. The British argument is that if there is a three-way plan of contribution and on an equal basis, each of the three parties is practically estopped to agitate for increases in rates of benefit which may have the effect of breaking down the fund. The unions cannot agitate for these increases because to do so is to advocate additional taxation of the employees. Majority political parties being charged with the responsibility of balancing budgets and maintaining the solvency of the insurance fund are much less likely to make inroads upon the fund when they also have the responsibility of levying taxes to meet possible deficits.

While the bill before you apparently permits the several States to establish any type of plan they desire, with respect to contributions, the fact is that the 3-percent Federal pay-roll tax effectively removes any incentive on the part of the State to require employee contributions. None of the plans now pending in the State legislatures contemplates a total levy of over 3 percent. Since under this bill the employer is already taxed 3 percent, his payment under a State law cannot reduce his total burden and there is thus no incentive to a State to require the employee to contribute unless the State law is to make a total levy in excess of 3 percent.

The three-way contribution plan which underlies the British system has recently been defended by Dr. Isador Lubin and Dr. A. C. C. Hill in a volume "The British Attack on Unemployment" published by the Brookings Institute. Dr. Lubin is now United States Commissioner of Labor Statistics; but the volume in question, although not published until after he became identified with the Department of Labor, was written before his appointment.

"The three-party system" provides a rich and effective source of revenue for funds with which to relieve unemployment. * * *

The three-party system further provides excellent checks and balances. The wage earner realizes that if benefits are to be extended or conditions relaxed, he, as well as his employer, must deduct the additional contributions from current income. The employer, in demanding lower benefits, must face organized labor and Parliament. Finally, Parliament cannot vote higher benefits as a concession to labor votes unless at the same time it increases the burden on industry and on the wage earner himself.

Turning again to the British system: Next to the three-way contribution principle in importance should be placed the absolute necessity for honest and efficient administration, as far as possible removed from partisan politics. The high character of the British civil service is known to all. There is practically no change of personnel from year to year or from one government to another. The government may change but so long as Parliament does not change the rules under which the system is administered, those charged with actual administration have little or no concern with the change of government.

The latter factor, of course, raises one of the important points facing the people of the United States; that is, whether in the event some system of so-called "unemployment insurance" is adopted, it should be on a Federal or a State basis. England is so small and her population so homogeneous that she has been able to overcome many of the administrative difficulties. On the other hand, every student of the British system with whom I talked expressed grave doubts as to whether the administrative problem in a country as big as the United States would not overwhelm us.

These brief observations are, I believe, adequate to demonstrate the necessity for making haste slowly. This is particularly true in a country like ours where unemployment on a wide scale has been the exception and not the rule throughout our history; where natural resources abound; where new indus-

tries employing hundreds of thousands of people have developed and will continue to develop from year to year; where the population cannot, by any stretch of the imagination, be called homogeneous; and where many of our most serious social, political, and economic problems arise out of failure to balance the interests of industry and agriculture. It must be borne in mind that the agricultural population of Great Britain constitutes only about 8 percent of the total. In his country our agricultural population is nearly one-third of our total. What will the effect be on them if they are left out of any system which may be adopted and yet are called upon to contribute to its support, both directly through taxation and indirectly through increased costs of the goods and services they must buy?

Must we institute a system, change it 25 times in the next 25 years, and at the end of that time find it necessary to constitute a commission to salvage the essentials of the system and restore the fund to solvency? Or shall we determine in advance what plan, if any, is best suited to our own people and our own standards?

I think you will find that my statement just inserted covers the essentials of the operations of the British system. In brief it constitutes a story of how a limited system covering six industries was instituted in 1911, how it has gone along for approximately 25 years. In the course of the 25 years' experience, the British have amended their act 24 times since it was enacted. Some of those have been major changes and some not. There has been ups and downs. There have been all sorts of changes depending largely on which government was in power in England. The most radical changes in the system made immediately following changes in the party in power in England. That is represented particularly in the 1920 amendment, the 1924, the 1927, and finally the new act of 1934.

I have here a thesis on the new unemployment act of 1934 by Ronald C. Davison, and he says:

Many readers of this book will be able to recall previous similar swings in the benefit pendulum. Sometimes the scale was put up and sometimes down. The process is almost periodic, though it has nearly always been in response to some new urge from public opinion. This time the pendulum is making a marked upward swing, and it is the writer's opinion that neither contributory insurance nor any other scheme can be expected to give very much better cover than that outlined above—not, at any rate, until we succeed in establishing a higher wage level than obtains today. It is not that the new rates look opulent in themselves. Indeed, they will often be too little for family support. Certainly no married couple can indulge in riotous luxury on 26 shillings a week. But don't forget that where children's allowances at 2 shillings each are added to the parents' benefit the total amount drawn as a right by fathers of families will now rise much above the earning of agricultural laborers in full work and sometimes above those of low-paid industrial workers, too.

I point that out to you because as low as benefits are under the English system, you do have a disparity between the benefits paid and the actual wages of the agricultural labor, for instance, and some of the low-paid wages in industry. In this country if that condition arises it is going to be much more serious than England. England is, of course, highly industrialized. Only 8 percent of her population are dependent on agriculture. We have, I suppose, 30,000,000 dependent directly or indirectly on agriculture, and if we install a system which produces a disparity, a further disparity between industry and agriculture, as has happened in England, and apply it to a country such as ours, it is going to be a very serious, not only political but economic, situation that will result.

I want to emphasize, gentlemen, that the English system which has been in existence for approximately 25 years and which was

instituted as an experiment, is still an experiment in England. It is not a proven success. Nobody can say today whether the thing has worked satisfactorily or has not.

At any rate, we do know that in 1934 the British revised their entire system of unemployment insurance. I happened to have been present at the opening of Parliament in November just passed and to have heard Mr. Ramsay MacDonald, the Prime Minister, make the following statement, which emphasizes the statement which I have just made, that it is still an experiment in England, and it has been a very costly experiment.

Mr. MacDonald said:

The great weakness of all unemployment schemes up to now has been that none of them differentiated enough in the character of the unemployed. We talk about unemployment. I hope that I shall not be misunderstood when I say that there is no such thing; by that I mean there is no uniform problem, with every unemployed man and woman representing precisely the same problem to the state. Unemployment is not a featureless thing. Unemployment as a whole is a mass of a thousand and one problems, sometimes applying to individuals and not to a group of individuals at all.

For the first time the Government are differentiating between unemployed and unemployed. The Government are taking specially defined and examined areas. Just as a scientist takes his test tube into his laboratory, works out his results and their reactions, so we are beginning with those areas for the purpose of discovering cures, methods of handling, ways of spending public and private money, and all the approaches of unemployment.

There is more along the same lines, but that is sufficient to demonstrate that after 25 years of experience the British are still on the threshold of an approach to the unemployment insurance problem and recognize, as the Prime Minister said there, that it is still in the experimental stage.

Senator GUFFEY. Are you opposed to our making an approach until the English system is perfected? Is that what I understand your argument is?

Mr. GALL. No, sir; even if the English system were perfect, I do not think it would necessarily mean that we should adopt the English system or a system for a country as large as ours where the administrative difficulties are as great as they are. What I am attempting to do, if I may put it this way, Senator, is not to fly a red signal or a green signal, but rather to try to put into the record here some facts as to British experience which may serve as a caution as to the type of system which the Congress of the United States endorses if it endorses any as the result of these hearings.

Just one thing, then, I wish to yield to Mr. Sargent. I want to point out that the British did not deliberately embark on unemployment insurance because they thought that was the best way to handle the unemployment problem. Unemployment insurance represents just one of the 19 different post-war methods of dealing with unemployment in England. I would like to insert in the record that list of 19 methods which have been used and most of which are to some extent still being used in conjunction with the unemployment insurance.

(The information referred to is as follows:)

Private charity.
Poor-law relief (indoor and outdoor).
Relief works with and without Exchequer grants.
Emigration.
Trade union insurance.

Systematic short time.
 National unemployment insurance.
 Institutional training both of disabled and of fit men.
 Training with employers.
 Juvenile unemployment centers.
 Women's training.
 Land settlement.
 Afforestation.
 Road construction.
 Land drainage.
 Trade facilities act.
 Export credits act.
 State subsidy to an industry or part of an industry.

Of these remedies, at least the first 7 had all been tried before the war; and the first 3, i. e., charity, poor-law relief, and relief works, had all been condemned either as inadequate or actually harmful. But they show no sign of disappearing from the list and are, indeed, freely resorted to in each recurring crisis (Introduction, *The Unemployed*, by Ronald C. Davison).

They have tried relief work, they have found that it was very costly, and they have practically abandoned the whole system of relief work because it ran sometimes five times the cost that they could have contracted the work out for, and that is the official findings in England, and not just the matter of opinion.

I want to say also that the whole idea of moving stranded populations such as those in the coal-mining areas in England to other sections of the country has been a total failure for several reasons. In the first place it involved retraining of these men, and the opposition of the labor unions throughout England to bringing retrained men to their territory from other territories has been such that the Government has made practically no headway. Furthermore, the Government has tried to assist migration and immigration of these people to the Dominions. The resistance on the part of the Dominions has been terrific. They have said, "We have our own problem, we cannot handle yours, and you will have to take care of it."

So, one scheme after another has been tried in England, and as I say they still have in effect a considerable number of supplementary schemes of which the unemployment insurance is only a part, and I might say a minor part, insofar as the actual relief to the unemployment situation is concerned.

I have a great deal of material on this subject, but I am going to suspend except for such questions as you may wish to ask me, so that Mr. Sargent can take the time because he is from out of the city.

The CHAIRMAN. Put your matter in the record there.

Senator BARKLEY. What is your authority for the statement that they have made no progress in Great Britain in the matter of redistribution of labor?

Mr. GALL. In the matter of redistribution of labor? Mr. MacDonald, the Prime Minister, made a statement which I read while you were out of the room, on the floor of Parliament in November of this year, in which he outlined what the Government was going to try to do with these populations in the depressed areas. This past year the Government of England has had a Royal commission studying the problem of unemployment in the deeply distressed areas or the depressed areas as they call it, and they have concluded that

so far practically nothing has been done, and they are in the experimental stage of trying to work out additional devices for moving that population from those areas.

The CHAIRMAN. Thank you very very much. Now, Mr. Sargent.

STATEMENT OF NOEL SARGENT, REPRESENTING THE NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. SARGENT. I have prepared for the use of the committee sets of five charts and one table which, if you will kindly have the clerk distribute to the members, I think will be helpful.

The CHAIRMAN. I wish the clerk would give those to those who are present.

Mr. SARGENT. These are prepared especially for use of the committee.

Mr. Chairman, I may say that we have had a committee studying this problem for some time immediately this bill became public, and our association realizes, of course, that actual distress and indigency must be relieved.

To the extent that the pending bill, S. 1130, seeks to accomplish this objective we are in accord. But our universal deep desire to relieve immediate distress and indigency should not over-influence our judgment in discussing the present bill, which does not purport to be an emergency measure.

It is equally important that we do not accept proposals or methods as actually capable of accomplishing their objectives merely because advocates declare they will do so.

We must beware that we do not thus accept proposals which may possibly aggravate instead of relieve the evils they are designed to eradicate; that we do not create other serious problems as grave, if not even more so, than those we seek to correct.

We may, in this connection, profit by foreign experience, and be able to avoid their mistakes. We must, for example, use every effort to see that while actually providing sound security for aged indigents, we do not repeat the experiences of foreign old-age pension laws, where the possession of a legal right to pension funds has resulted in a universal tendency for a steadily increasing number and proportion of old persons to turn to the government pensions for support.

Legislation which from its very nature tends to increase dependency and indigency decreases individual energy and efficiency of individuals in attempting to take care of themselves. It would thereby decrease the sum total of national productive effort in the country, and in the long run thereby decrease the aggregate income available for distribution among the body of citizens; and hence inevitably lower the standard of living. Foreign experience and knowledge of economic matters should be sufficient to cause us to examine most seriously and carefully any type of legislation which carried with it any threat of decreasing productive activity with consequent impairment of our standard of living.

We must, likewise, use every possible care to see that in attempts to provide unemployment compensation we avoid, if possible, repeating the experience of foreign countries with unemployment insurance. In those countries the laws have actually tended to increase unemployment, by freezing or stabilizing such economic

maladjustments as uneconomic wages rates, and maldistribution of both industries and workers.

I wish to reiterate the assertion made by the preceding speaker that the unemployment excise tax here proposed is a tax on employment—that every increase in wages, every job given an additional person, is penalized by being taxed. We must carefully consider whether such a tax on employment will decrease employment opportunities by penalizing those who provide employment.

Senators will recall that Mr. A. H. Hansen, chairman of the unemployment insurance subcommittee of the Economic Security Committee's technical board, stated (hearings, p. 452) that "the first immediate effect" of a pay-roll tax would be to decrease employment.

I respectfully suggest that you consider requesting submission to this committee of any technical report which may have been prepared, estimating the effect of a pay-roll tax upon the volume of employment which might be directly due to the tax itself.

We especially direct your attention to the following points, which will be amplified in the following remarks:

(1) The bill rejects the belief by President Roosevelt that the contributory pension system proposed should be actuarially sound;

(2) The bill rejects the belief by President Roosevelt that the unemployment-compensation system should provide for specific contributions by employees as well as employers;

(3) The Economic Security Committee rejected on at least 12 points, many of them important, the suggestions of its advisory council;

(4) The Economic Security Committee rejected the advice and judgment of its own actuaries;

(5) The bill should be carefully considered in the light of many fundamental changes it proposes in the relationship of citizens to the Federal Government;

(6) The bill raises questions of the utmost gravity as to both the raising and safeguarding of terrifically huge sums of money; and

(7) The bill in its present form is unacceptable because of numerous specific defects.

RECIPIENTS OF FEDERAL FUNDS

In considering such a vast program as that which confronts us in Senate bill 1130, we must be sure that the fundamental principles and policies proposed are desirable—that the economic, social, and political trends involved are nationally desirable.

Your attention is directed to chart A which reveals that today there are 7,920,000 recipients of Federal funds:

Regular employees	950,000
War-Navy	400,000
Post Office	250,000
Other	300,000
Veterans' Administration	1,000,000
On "straight" relief	3,500,000
On "work" relief and Public Works Administration	1,500,000
Civilian Conservation Corps	300,000
Home Owners' Loan Corporation	670,000
	<hr/>
	7,920,000

Senator CONNALLY. How do you figure the H. O. L. C.?

Mr. SARGENT. They have been and are receiving funds from the Federal Government for the repayment of mortgages.

Senator CONNALLY. A man might have a good job and be doing that; lots of them have.

Mr. SARGENT. So have the regular employees. I did not say all of these were relief cases.

Senator BARKLEY. Nobody is receiving any benefits. They are receiving funds for the refinancing of mortgages, but they are not receiving it unless they are in a position to repay it.

Mr. SARGENT. The same is true of the regular employees of the Government. They are not receiving relief, either.

The CHAIRMAN. It strikes me that your other charts tell the story more than that.

Mr. SARGENT. I am simply pointing out in this one that under this law as proposed we might eventually have a situation where there would be more recipients of public or Federal funds or prospective recipients of Federal funds than there were actual voters for President in the last Presidential election.

It is now proposed that we add 9,380,000 additional recipients of Federal funds.

Social security bill.....	5, 830, 000
Unemployment compensation (total coverage, 26,000,000) -	2, 980, 000
Old-age security (total coverage, 7,500,000).....	3, 750, 000
Soldiers' bonus.....	3, 550, 000
Total.....	9, 380, 000

There would also be an additional 23,920,000 who would look to the Government for future aid under the social security bill—who would be interested in having benefits made continuously greater because they might receive them in the future.

This is a total of 41,220,000 persons who, either under existing or proposed laws, would look to the Federal Government for some measure of support—a number greater than all those who voted for President in 1932. (While there are unquestionably some duplications in the above tabulations they are offset by the noninclusion of recipients of benefit payments from the A. A. A.)

This trend toward increasing the number of direct beneficiaries of Federal funds is one to which every legislator and taxpayer must give most serious concern, both with reference to the proposed bill and other legislative proposals.

WHOSE CHILDREN SHALL PAY

The Economic Security Committee presents as follows a most serious dilemma involved in this proposed legislation:

(1) We deem it advisable that the Federal Government should not pay its share of the cost of old-age annuities currently * * *. To pay this cost now would unfairly burden the younger part of the present generation, which would not only pay for the cost of its own annuities, but would also pay a large part of the annuities of the people now middle-aged or over. (Rept., p. 27).

(2) There may be valid objection to this plan, in that it involves too great a cost upon future generations. (Rept., p. 27.)

The Members of Congress must decide whether they will enact a system which will, in effect, require this generation to pay its own premiums and a large proportion of those of an older generation; or whether it will require the next generation to pay its premiums and a large part of ours.

The problem is not only economical—it is both social and political—we have a right to voluntarily assume the burdens of an older generation—have we a moral right to now impose upon the next generation, possibly against what may be its will, the burdens of our generation?

It is high time that some very serious thinking be done about this and related basic considerations involved in the pending bill.

RELATION TO OUR ECONOMIC SYSTEM

Would this bill, if enacted, effect vital changes in our economic system? We are not now considering the questions as to whether such changes are desirable—but we must carefully consider whether this bill might, if enacted, have unexpected effects. In addition to subsequently discussed important results of the fiscal situation which would develop, I direct your attention to the fact that the proposed tax on industry is itself a very serious matter.

Senator CONNALLY. Won't the tax be passed on?

Mr. SARGENT. The question whether it will be passed on, which was raised in these hearings particularly by Senator Black, is a very complicated matter. It is obvious that if industry could pass on additional costs when they arose, that no manufacturer would ever lose any money when those costs arose. But it is well known that industry has lost 6 billions in the last 3 years. It is obvious that the ability of industry to pass costs on is affected by the competition from foreign countries which would not have the additional costs, questions whether they are regulated by public-utility commissions, or the question whether they are the marginal producers or the best producers, the most efficient or the least efficient. The number of factors of that kind enter into the question.

Senator CONNALLY. You cannot always pass on all of those things, but when you can, you do, don't you?

Mr. SARGENT. I would say that the employers certainly either would try to pass that cost on or try to reduce present costs to compensate for the increased costs.

Senator CONNALLY. It is perfectly natural.

Mr. SARGENT. Yes; but in many cases it would not be possible to do it; it would be impossible.

Under the proposal of Secretary Morgenthau after a few years the net tax on employers' pay rolls would be 5½ percent. What would this mean? In manufacturing, according to Dr. Willford L. King, now president of the American Statistical Association, the results during a 5-year predepression period would have been (National income and its purchasing power, pp. 122, 191):

Year	Net dividends on common stocks, excluding intercorporate payments	Wages, salaries, pensions, compensation	5½-percent pay-roll tax	Percent of tax to dividends
1922.....	\$936,000,000	\$12,010,000,000	\$660,550,000	71
1923.....	1,371,000,000	14,385,000,000	791,175,000	58
1924.....	1,344,000,000	13,947,000,000	767,085,000	57
1925.....	1,518,000,000	14,283,000,000	785,565,000	52
1926.....	1,670,000,000	15,010,000,000	825,550,000	49

When it is said that we will tax wages, one item of production costs, 5½ percent to many people that doesn't sound extremely big. But when we know that the tax would equal 57 percent (average for 5 years above) of all net dividend payments on common stocks, it seems much more serious.

During the 10-year period 1923-32 the entire net earnings of all corporations in the United States amounted to less than 43 billion dollars, or an average annual amount of somewhat over 4 billion dollars. Under the present proposal the annual tax to be collected from employers and employees would equal two-thirds of this amount and an even higher percentage if the plan proposed by Secretary Morgenthau should be adopted. Such a comparison gives us something rather serious to think about. Yet, despite these high figures, many people have been urging that the proposed benefits be greatly increased.

According to reliable statements in 217 prominent industrial corporations of the United States, there are over 9 million stockholders, while it is estimated that in about 1,000 additional companies there are 6 million stockholders. Even allowing for duplication, it is evident that the number of industrial stockholders, who may be affected by such legislation, is greater than the number of industrial wage earners.

Some concerns will be able to pass all or part of the cost to consumers, many other concerns will not. The consumers will bear the larger part of the cost; stockholders will pay the rest.

And if dividend payments become so low that capital is not attracted to an industry, or is driven away from it, the employees will be the chief sufferers. We do not urge that the welfare of employees be sacrificed in favor of stockholders, but we do say that employees as a whole will suffer even more than stockholders as a whole if the profit incentive is eliminated or threatened with elimination.

COST OF ADMINISTRATION

We wish to call the attention of the committee to the question of the cost of administering the agencies that would be set up under this bill. The single problem of keeping the individual ledger accounts required under the unemployment and the old-age provisions of the bill will be very great. In the absence of any information in the report of the Committee on Economic Security or in the testimony of those who have appeared in behalf of the bill, we venture the guess that no less than 142,000,000 ledger accounts will be required for the unemployment and contributory-pension section alone.

This estimate is based upon the assumption that roughly 26,000,000 persons will be covered under unemployment insurance, and 32,000,000 under the provision for contributory pensions. For each of the 26,000,000 persons covered by unemployment insurance, three separate accounts must be kept, 1 by the employer, 1 by the State, and 1 by the Federal Government, or a total of 78,000,000 accounts. For each of the 32,000,000 persons covered by compulsory old-age pensions 2 accounts would seem to be necessary, 1 by the employer and 1 by the Federal Government, or a total of 64,000,000 accounts. Together, these two benefits will apparently require no less than 142,000,000 separate accounts.

We would not venture a guess with respect to the number of employees that would be required to keep 142,000,000 accounts. It goes without saying that the number would be very great. The figures I have given are conservative. They make no allowance for the army of employees required for the administration of nonbook-keeping provisions of the bill. Before taking final action on this bill, we urge your committee to call upon Government and private experts to work out a proposed plan of administration, including estimates of the cost to the employer, the States, and the Federal Government.

Indicative of the costs which may be involved, I direct your attention to the statement that in foreign unemployment-insurance systems the administrative costs:

insofar as made public, range from nearly 10 to 24 percent of benefits paid out (Index, New York Trust Co., February 1935, p. 38).

FINANCIAL ASPECTS OF BILL

The financial aspects of S. 1130 and its companion House bills may be considered from five highly important angles:

1. The proposed direct payment from the General Treasury.
2. The proposed direct taxes upon employees and employers.
3. The additional direct expenditures which would be required by the Federal Government.
4. The direct expenditure which would be required, or at least expected, of the several States.
5. The investment of the accumulated funds.

PROPOSED DIRECT FEDERAL PAYMENTS

The yearly direct payments from the Federal Treasury specified in S. 1130 are as follows:

Item	Fiscal year beginning June 30, 1935	Each fiscal year thereafter
Old-age assistance.....	\$50,000,000	\$125,000,000
Dependent children.....	25,000,000	25,000,000
Social Insurance Board.....	5,000,000	50,000,000
Maternal aid.....	4,000,000	4,000,000
Crippled children.....	3,000,000	3,000,000
Child welfare.....	1,500,000	1,500,000
Public health.....	10,000,000	10,000,000
Total.....	98,500,000	218,500,000

PROPOSED DIRECT TAXES ON EMPLOYERS AND EMPLOYEES

S. 1130 proposes an earnings tax upon employees as follows:

	<i>Percent of wages</i>
1937-41-----	$\frac{1}{2}$
1942-46-----	1
1947-51-----	$1\frac{1}{2}$
1952-56-----	2
1957 and after-----	$2\frac{1}{2}$

It imposes an employment excise tax on employers of the same pay roll percentage (in each case the tax is, in effect, only on wages and salaries under \$250 monthly). These amounts are the contributions of employers and employees to the contributory old-age pension system.

There is also imposed on employers an additional employment excise tax of 3 percent (during 1936, 1937, and 1938 it may be 1, 2, or 3 percent), representing the only source of payment into the unemployment compensation fund. We see in chart B the sums which would be necessary to distribute as unemployment benefits under the standards suggested by the Economic Security Committee.

The CHAIRMAN. I do not understand that chart very well.

Mr. SARGENT. If you have 10 million unemployed, receiving \$15 a week for 16 weeks, that would amount to \$2,400,000,000.

Senator CONNALLY. You are putting that at the maximum.

Mr. SARGENT. That is the standard.

Senator CONNALLY. That is assuming they will all be unemployed for the maximum period of the bill. That would be the absolute peak limit.

Mr. SARGENT. That supposes the average which would presumably be reached under the condition of unemployment which the committee itself knows would probably exist. Under the plan that Secretary Morgenthau advocated, if that were adopted, then the total annual cost would be \$3,200,000,000.

The CHAIRMAN. That would be reached when?

Mr. SARGENT. In 1949 instead of 1957, which is the basis in the present bill, which would be an 8 percent burden on all pay rolls, equal to the entire revenue of the Government in the prosperous years of 1923 to 1930.

Assuming a 1 percent employment excise tax in 1936, 2 percent in 1937, and 3 percent in 1938 and thereafter, in manufacturing industries alone, the combined taxes would gradually increase (based on averages of 1929 and 1932 pay rolls) to a grand total of \$792,000,000 in 1957, of which about \$233,000,000 would be paid by employees. The stages by which this total would be reached are set forth in chart C.

But this bill does not affect only manufacturing. On the basis of all industries, including agriculture, the tax by 1957, would reach, on the basis of the average of 1929 and 1932 pay rolls:

Unemployment excise tax-----	\$1, 150, 000, 000
Employment excise tax-----	850, 000, 000
Earnings tax-----	850, 000, 000
Total-----	2, 850, 000, 000

Secretary Morgenthau has recently proposed that the earnings and excise taxes paid with the old-age-pension fund be sharply increased, employees and employers each paying, as I understand the proposal:

	<i>Percent pay- roll tax</i>
1937-39.....	1
1940-42.....	1½
1943-45.....	2
1946-48.....	2½
1949 and after.....	3

This would mean that in 1949 and after (on the basis previously assumed) the tax in manufacturing alone would be:

Employers:	
3 percent on total pay roll.....	\$330,000,000
3 percent on pay roll under \$250.....	279,000,000
(Combined equal 5.5 percent of total pay roll.)	
Employees—3 percent on pay roll under \$250.....	279,000,000
Total.....	\$888,000,000

On all industrial pay rolls, including both manufacture and agriculture, the tax in 1949 and after under the Morgenthau plan would be:

Employers.....	\$2,200,000,000
Employees.....	1,000,000,000
Total.....	3,200,000,000

This is a net burden of 8 percent on all pay rolls, equal to the entire normal revenue of the Government during the prosperous years 1923-30. In a year of general prosperity such as 1929 the tax would reach \$4,000,000,000, an amount equal to the annual Government revenues in the prosperous twenties. Mr. L. A. Lincoln, vice president of the Metropolitan Life Insurance Co., stated recently that the eventual burden of plans contemplated in the Economic Security Committee report might run "at the very least to over 17 percent of the pay rolls affected" (Eastern Underwriter, Feb. 8, 1935).

The Economic Security Committee reports actuarial estimates of the following Federal costs in the absence of a contributor system (Report, p. 23), and it may be noted that there will be no payments out of the contributory old-age-pension fund until 1942.

Fiscal year beginning July 1—	Amount nec- essary	Appropri- ation	Deficiency
1935.....	\$136,000,000	\$50,000,000	\$86,000,000
1936.....	199,000,000	125,000,000	74,000,000
1937.....	224,000,000	125,000,000	99,000,000
1938.....	249,000,000	125,000,000	124,000,000
1939.....	274,000,000	125,000,000	149,000,000
1940.....	299,000,000	124,000,000	174,000,000
1941.....	324,000,000	125,000,000	199,000,000

It is evident that these actuarial estimates, instead of being too high, as the Economic Security Committee guesses (report, p. 23), are just as likely, or even more likely, to be too low. Thus the committee itself estimates (report p. 20) that at least one-half of the

approximately 7,500,000 people over 65 years now living are dependent. On this basis there would be a national annual old-age assistance bill, at \$30 monthly (the standard set forth in title 1), of \$1,350,000,000, of which the Federal share would be \$675,000,000. If the act shall accomplish its declared objectives then certainly after a year or two the total Federal share of the relief payments should be \$675,000,000, leaving the annual appropriation provided in the act \$550,000,000 too low. Experience in all countries having old-age pension laws shows that the number and percentage of persons willing to rely on the Government for support, either because their relatives were willing no longer to support them or because they no longer felt it necessary to rely on their own efforts, constantly increases. We might well expect, therefore, a steady increase above the 50 percent of dependents, and thus further increases in the net deficiency of the \$125,000,000 Federal appropriation, and increase in the necessary additional Government subsidy. The ultimate costs which might be involved under Nation-wide old-age pension and assistance systems are set forth in charts D and E. Chart D shows the estimated increase in the number of persons 65 and over; taking this increase into consideration chart E shows the amount which would be necessary to give everyone 65 or over \$30 monthly.

Senator COUZENS. I am required to be at another meeting. Have you a proposed substitute for this bill?

Mr. SARGENT. I am suggesting subsequently about 25 specific points in which the bill contains defects and which by assumption could be remedied by the elimination of the defects.

Senator COUZENS. You are not against the whole legislation then?

Mr. SARGENT. No, sir.

Senator COUZENS. Very well; thank you.

The Federal-State costs of the pending old-age assistance plan will, moreover, be further increased by about \$100,000,000 annually if the bill as it may be finally adopted should incorporate the suggestion of Secretary Morgenthau that domestics and agricultural workers be excluded from the contributory old-age pension plan.

When payments are initiated in 1942 under the old-age pension system of the act, the maximum monthly payments the first year will be \$22.50 (sec. 405, bl. 5); the average would presumably be less. Title I establishes an old-age assistance monthly standard of \$30 (sec. 7) and it is not unreasonable to suppose that both the Federal and State Governments will be expected to pay the difference between the old-age pension (say \$22.50) and the \$30 old-age assistance standard. This would further increase the direct obligation of both the Federal and State Governments.

No matter how we consider it the \$125,000,000 old-age assistance appropriation (section 1) is too low to meet the payments provided in this bill.

The next question is whether the earnings and employment excise taxes paid into the old-age pension fund (title III) are sufficient to enable the Government to make the pension payments as scheduled (title IV).

In the first place we must note that it is not intended that the old-age pension fund shall be actuarially sound in the sense that we expect life insurance companies to maintain actuarially sufficient reserves. The Economic Security Committee, for example, states (report, p. 26) that the initial payments scheduled will be greater

than they would be if "on a strictly earned basis." It is stated that to be actuarially sound the contributory old-age pension plan would need a total reserve of \$75,000,000,000 (*ibid.*), and the establishment of such reserve is strongly opposed by the Economic Security Committee. The committee thus challenges the soundness of Mr. Roosevelt's statement in December (at Washington Economics Security Conference) that:

Full solution of this problem is possible only on insurance principles.

The Security Committee states that beginning in 1965 the Federal Government, under the plan proposed in S. 1130, would have to make extra payments into the fund to permit payment of the scheduled pensions. The amount of the additional Federal payments is not specified, except that it is stated they will be greater than \$500,000,000 yearly (report, p. 26), and would reach \$1,400,000,000 by 1980 (*ibid.*, p. 27). The Economic Security Committee, as previously noted, says that a reserve of \$75,000,000,000 would be necessary to have the contributory old-age pension fund actuarially solvent (report, p. 26); it estimates that its own plan, that in the bill, provides a reserve of \$15,250,000,000, leaving a maximum net unfunded floating debt to the people of the country of nearly \$60,000,000,000.

It is estimated that the maximum reserve under the unemployment compensation plan would be 2 billion dollars; and that the maximum reserve under the contributory old-age pension plan as proposed by Secretary Morgenthau would be 50 billion dollars—a total of \$52,000,000,000. At 3-percent interest on this volume of Government bonds, there would eventually be imposed on taxpayers an additional annual tax burden of \$1,560,000,000.

Secretary Morgenthau has presented a suggestion for a combination of increased contributions and earlier contributions, which are designed to make annual income equal annual payments, though not making the contributory pension plan actuarially sound.

This cost problem is, as Senators have observed from testimony previously presented by many witnesses, extremely serious and also extremely complicated.

It would appear that the Economic Security Committee has in its own judgment rejected the advice of its own actuaries, making such statements as:

We believe that these estimates are too high.

This figure * * * may reach the great total estimated by the actuaries.

The Economic Security Committee, moreover, makes these significant statements:

* * * else the annual Government contributions will be so high as to constitute an impossible charge on the taxpayers.

This plan thus involves the creation of a debt upon which future generations will have to pay large amounts annually.

* * * will impose a burden on future generations which we do not wish to minimize.

In view of the apparent rejection by the Economic Security Committee of the advice of its own actuaries, and in view of the admissions of huge tax burdens upon either this or future generations—or both—I respectfully suggest that this committee call before it for examination all of the actuaries and actuarial advisers who collaborated with the Economic Security Committee. Certainly this country should not embark upon such an evidently costly program

as this bill contemplates without greater knowledge of whither we are leaping—the present and future costs to which we and our children and grandchildren are being committed. Let us never say that we must jump in without knowing where—any student of history knows that once we embark on any national system of this kind it is practically impossible to constructively alter a once-adopted plan—the tendency is toward continued liberalization, and “hang the cost.”

It is clear that President Roosevelt himself apparently well realizes the practical difficulties involved in establishing an actuarially sound contributory old-age-pension system on a national basis. You will recall that at the December economic security conference Mr. Roosevelt said:

I do not know whether this is the time for any Federal legislation on old-age security * * * I hope that in time we may be able to provide security for the aged—a sound and a uniform system.

You will further recall that in his January 17 message to Congress the President declared:

It is overwhelmingly important to avoid any danger of permanently discrediting the sound and necessary policy of Federal legislation for economic security by attempting to apply it on too ambitious a scale * * * The place of such a fundamental in our future civilization is too precious to be jeopardized now by extravagant action.

The Members of Congress must decide whether the pending bill in proposing a costly and nonactuarial contributory old-age-pension system violates even the fundamental standards advanced by President Roosevelt: whether it is a fiscal juggernaut which threatens national economic stability.

FINANCIAL COST TO STATES

This bill would in fact, though not in law, require the States to enact legislation, or in some cases amend existing State laws, requiring State expenditures in the following fields:

1. Old-age assistance.
2. Dependent-children aid.
3. Maternity and child health.
4. Aid to crippled children.
5. Child-welfare service.

We have not listed “old-age pensions” laws above, since this subject is to be dealt with, under the bill, by direct Federal action. Nor have we listed State unemployment compensation laws, since the administrative costs of the State laws are to be paid by the Federal Government.

The only one of the above items which will require heavy State expenditures almost from the outset is “old-age assistance.”

The Economic Security Committee estimates (rept., p. 20) that “at least one-half of the approximately 7,500,000 people over 65 years now living are dependent.”

Either the bill proposed is intended to care for this 50 percent or it is not. Assuming that it is so intended, then the yearly cost of providing \$20 monthly (apparently the Federal standard; sec. 7) to 3,750,000 persons, would be \$1,350,000,000.

The bill contemplates that the Federal Government should pay one-half of this amount (sec. 7) or \$675,000,000. The States would be expected to assume the \$675,000,000 remainder.

How much would this mean to each State?

According to the 1930 census, there were 6,663,805 persons aged 65 or over in the United States.

The following table gives the percentage of this number in each State, and the amount such percentage is of the \$675,000,000 total, that is, the old-age-assistance cost this bill expects every State to assume; the amount to each State would be reduced to the extent that they now distribute so-called "old-age pensions", and by any increase in the age limit above 65.

This committee, in fact, might well consider raising to 70 the age limit in both the old-age assistance and old-age-pension system proposed in S. 1130. It is estimated that such an increase would reduce the costs 40 percent, and if experience demonstrated the economic feasibility of paying the higher costs then the age limit could be lowered.

1 State	2 Total popu- lation 65 or over	3 Percent of national total	4 Cost under proposed bill
Alabama.....	99,240	1.492	\$10,071,000
Arizona.....	15,768	.237	1,599,750
Arkansas.....	75,600	1.139	7,688,250
California.....	366,125	5.519	37,553,250
Colorado.....	61,787	.931	6,284,250
Connecticut.....	93,319	1.406	9,490,500
Delaware.....	16,678	.251	1,694,250
District of Columbia.....	27,253	.410	2,767,500
Florida.....	71,202	1.073	7,242,750
Georgia.....	113,278	1.707	11,522,250
Idaho.....	22,310	.336	2,268,000
Illinois.....	421,073	6.347	42,842,250
Indiana.....	232,787	3.509	23,685,750
Iowa.....	184,239	2.777	18,744,750
Kansas.....	129,468	1.951	13,169,250
Kentucky.....	142,122	2.142	14,458,500
Louisiana.....	75,850	1.143	7,715,250
Maine.....	69,010	1.040	7,020,000
Maryland.....	92,972	1.401	9,456,750
Massachusetts.....	274,195	4.133	27,897,750
Michigan.....	254,891	3.842	25,933,500
Minnesota.....	163,480	2.464	16,632,000
Mississippi.....	77,443	1.167	7,877,250
Missouri.....	244,525	3.686	24,880,500
Montana.....	26,700	.402	2,713,500
Nebraska.....	86,194	1.299	8,768,250
Nevada.....	4,814	.072	486,000
New Hampshire.....	41,560	.626	4,225,500
New Jersey.....	201,043	3.030	20,452,500
New Mexico.....	16,825	.253	1,707,750
New York.....	667,325	10.059	67,893,250
North Carolina.....	115,671	1.743	11,765,250
North Dakota.....	30,280	.456	3,078,000
Ohio.....	414,836	6.253	42,207,750
Oklahoma.....	96,888	1.460	9,855,000
Oregon.....	67,332	1.014	6,844,500
Pennsylvania.....	508,278	7.662	51,718,500
Rhode Island.....	39,953	.602	4,063,500
South Carolina.....	57,164	.861	5,811,750
South Dakota.....	35,915	.556	3,753,000
Tennessee.....	119,045	1.794	12,109,500
Texas.....	322,459	3.501	23,652,000
Utah.....	22,665	.341	2,301,750
Vermont.....	31,253	.471	3,179,250
Virginia.....	116,678	1.754	11,839,500
Washington.....	101,503	1.536	10,327,500
West Virginia.....	73,043	1.101	7,431,750
Wisconsin.....	192,059	2.895	19,541,250
Wyoming.....	8,707	.131	884,250
Total.....	6,638,805	99.972	674,811,000

NOTE.—If the Economic Security Committee Report extent of 7,500,000 aged 65 or over is correct, then there are approximately 12.5 percent more persons 65 or over in each State; but the State percentages of the national total and of the total cost would remain the same as above.

I realize that figures have been presented to you which purport to show that only 1,000,000 aged persons would qualify for old-age assistance, and that the total annual cost to the States would be about \$111,000,000 annually.

There are several points to be observed about this:

1. If the statement is correct then the Economic Security Committee report gives either a misleading picture of the gravity of the situation which it is claimed demands enactment of this legislation, or else is an admission that the legislation can go only 27 percent of the way in remedying the bad situation which the report says exists.

2. Regardless of what the material costs are the eventual costs will be increased about \$100,000,000—divided between States and Federal Government—annually if the bill is adopted incorporating Secretary Morgenthau's suggestion that domestic and agricultural workers be excluded from the contributory old-age pension system.

3. Many State laws now require near relatives able to do so to care for aged dependents, but under the bill as it now stands a State old-age-assistance plan would not secure the Federal subsidy if it makes such a requirement. If, therefore, the requirement is eliminated then both the initial and subsequent costs will be much higher.

4. Under the bill as proposed, moreover, the costs to some States might even be considerably higher than those set forth in the foregoing table. If, for example, the administrator feels that in some particular State the old-age-assistance plan will not provide reasonable subsistence unless the State provides say \$30 monthly per person instead of \$15, and refuses to permit the Federal \$15 to be paid unless the State does pay \$30, then the State cost might well be double that set forth—or else the act proposed would fail to accomplish its objective.

5. We must consider the potential burden the law would impose on States, instead of speculating that the law might work out in such a way that the cost made possible under the law might not actually have to be paid.

INVESTMENT OF THE ACCUMULATED FUNDS

Sections 404 (a) and 604 (a) provide that the Secretary of the Treasury may invest or reinvest all or any part of the "old age funds" and "unemployment trust fund" in either (x):

any primary obligation of the United States or in any obligations guaranteed as to both principal and interest by the United States * * * by purchases of outstanding obligations, at the market price thereof, or, on original issue at par—

or (y):

obligations acquired by the fund on original issued, which are issued exclusively to the fund * * * notwithstanding the availability in the market of obligations of the United States bearing the same or different interest rates.

We believe that in view of their complexities and possibly serious implications these investment provisions require detailed study by expert governmental and private financial authorities. The extreme importance of this problem is indicated in the following extracts from A Program for Unemployment Insurance, published in 1934 by

the University of Minnesota; among the authors of the book is A. H. Hansen, chairman of the Unemployment Insurance Subcommittee of the Technical Board of the President's Employment Security Committee.

The effect of the purchase of Government bonds during the boom period would clearly be to stimulate investment * * * a stimulus toward longer capital investment would therefore follow from this policy and the boom would thus be intensified. On the other hand, the payment of unemployment benefits from the sale of bonds during the depression period would necessarily tend to depreciate the bond market and intensify the liquidation process, and to this extent increase the severity of the depression (pp. 184, 185).

There are other extremely important aspects of the investment problem. For example, if the Treasury competes in the open market for Government bonds as is permitted under this bill, it will naturally increase their price, with two effects:

(1) Insurance companies, hospitals, universities, and endowments which subsequently purchase Government securities will receive a lower percentage of income on their investments—which, for example, would increase the cost of life insurance.

(2) The yield to the Treasury upon old-age fund and unemployment trust fund investments will almost certainly be less than the estimated 3 percent (report, p. 26).

Serious consideration must be given to the fact that creation of such a huge market for Government bonds establishes an artificial situation; an artificial base for Government credit. It thus encourages further Government borrowing and opens practically unlimited possibilities of reckless public financing, since there would be enormous pressure from without, and perhaps from within, upon Congress to authorize accumulated reserves. It will be recalled, moreover, that comparatively recently when a reserve was accumulated under the Federal civil service retirement and disability fund, those who had paid into the fund clamored that the reserve was in fact a surplus and besieged Congress to use what was a trust fund for future payments to establish immediately increased benefits. How much greater will the pressure for distribution of reserves be in a system involving millions of persons instead of 400,000? With billions of dollars apparently in the Treasury how great will the pressure be for vast Government expenditures of all kinds from these funds? The gravity of this problem has been pointed out in these hearings by the distinguished chairman of the committee who called attention to the "political agitation" which would exist to "dissipate any reserve that had been built up" (hearings, pp. 204-205).

If such a distribution or spending program should once be started it would grow like a snowball and would lead to practically uncontrolled Government spending and impaired Government credit.

We must realize, too, that the ultimate total amount involved is \$52,000,000,000—the combined unemployed compensation and contributory old-age pension reserves—an amount far greater than our national debt has ever been; an amount exceeding our total national income in many years. There might, moreover, be added to the old-age and unemployment reserves additional large reserves accumulated from the sale of annuity certificates.

Senator COUZEN. Are you going to offer any suggestions as to how these reserves should be kept?

Mr. SARGENT. I am not prepared to do that. I have studied this for some time. I was formerly instructor in finance in a university, and I believe it is so complicated it requires months of study instead of merely the few weeks which have been available since this bill was proposed.

Senator COUZENS. Then you believe we ought to postpone this whole thing?

Mr. SARGENT. Only as far as the investment of funds is concerned.

Senator COUZENS. In other words, you would pass the bill and leave that part and make another bill to cover that field?

Mr. SARGENT. I would certainly provide more specifically as to methods of doing that. For example, the advisory council recommended that the funds be put in the hands of the Federal Reserve Board. That is not contained in the bill as it is now. It is proposed to put it entirely in the hands of the Secretary of the Treasury providing two methods of investment, one of which opens up serious possibilities, and Mr. Hanson, who testified before you recently, observed, that on the upward curve it would intensify a boom, and on the downward curve it would lengthen a depression.

On the question of the defects in the bill generally, would it be possible to bring out these specific points in a few minutes tomorrow?

Senator BARKLEY (acting chairman). I do not know. We have Dr. Townsend for tomorrow. You have your statement prepared in writing?

Mr. SARGENT. I have it in writing, but I think some of the things I have would bring out questions.

Senator BARKLEY. I have no authority to change the program.

Senator CONNALLY. If you are going to be here anyway, you might come and we will take a chance on working you in.

Senator BARKLEY. The chairman has arranged the program for tomorrow and I am not in a position to change it. If you want to take a chance on it, you may do so, otherwise of course, your statement will go into the record as you have prepared it. I do not know what to suggest in the way of offering any opportunity for tomorrow. I imagine we are going to be pretty well filled up.

Senator CONNALLY. You might hold yourself ready, and if there is opportunity tomorrow, we might be able to hear you.

Mr. SARGENT. I will ask the reporter to take the paper then, as you suggest.

(The statement referred to follows:)

Further attention is called to the fact that when annuities or other types of insurance are bought from a private company the premiums are in normal times ordinarily invested in the bonds of railroads, public utilities, and in real-estate mortgages, so that expansion in the capital-goods industries is stimulated. However, the investment of such sums in public bonds by the purchase of annuities from the Government will inevitably divert a large amount of investment funds from private uses and so tend to retard industrial development.

This program, therefore, involves from many angles the future economic welfare of the entire country; we must beware that it is not permitted to create dangers worse than the social ills it is intended to relieve.

We therefore urge that this committee call before it for consultation upon the entire investment problems, both Treasury experts and private financial authorities.

SPECIFIC DEFECTS OF S. 1130

In addition to the previously presented basic points which should govern consideration and action on this bill, the bill is in our opinion unsound in many vital respects. Among the economic and administrative defects which render it unacceptable in its present form we list the following:

TITLE I

1. Section 2 provides that when the State legislature is not in session the governor of a State may signify the State's acceptance of Federal appropriations for old-age assistance. We believe it is unwise for the Federal Government to commit itself to appropriations in this manner without more specific assurance that the State as a whole desired or needed such appropriations, or that the legislature would subsequently ratify the governor's action. It may be pointed out, moreover, that gubernatorial acceptance alone does not mean that any plan the legislature might subsequently provide or approve would meet the Federal standards specified in sections 3 and 4. We understand further that in at least some States a constitutional amendment would be necessary to enable the governor to take the action authorized in the pending bill.

2. Section 3 declares that "old-age assistance shall mean financial assistance." If assistance is to be provided we have no objection to financial assistance being permitted, but apparently the language quoted in section 3 is open to the interpretation that all assistance must be financial in character. In other words, that assistance given each individual must be given exclusively in the form of money. In our opinion this is unsound. We refer your committee specifically to the New York and Massachusetts old-age-assistance laws, the former being endorsed by President Roosevelt; the principles of these two State laws are sound on the whole, and they do not restrict the provision of assistance to money alone. They permit the giving of assistance in other ways if the needs and condition of the particular individual render such other treatment preferable.

3. Section 4 provides in paragraph A that the State government must give "substantial financial participation" in a State old-age-assistance plan. The term "substantial" is too indefinite; a more specific standard should be provided as to the total amount or proportion which should be contributed by the State government as such.

4. The bill as drawn would appear to disqualify, as concerns eligibility of States to receive Federal assistance, existing State old-age pension or assistance laws which require the furnishing of aid to aged individuals by close relatives (cf. secs. 3 and 4).

5. Section 4 provides that a State old-age-assistance plan shall be approved by the administrator "only if such plan" contains certain provisions. This language is open to the interpretation that while the State plan must conform to the standards specifically listed, it would be possible for the administrator to require additional standards for his approval of a State plan.

6. Sections 2 and 4 require approval by the administrator of State old-age-assistance plans. Section 6 (e) provides for withdrawal of such approval by the administrator. In neither case is there any provision for a review before an impartial tribunal over either an initial refusal to approve or subsequent withdrawal of approval. The same objection applies to the approval and withdrawal of approval of Federal appropriations for State plans providing for aid to dependent children (secs. 204 and 106 d).

7. Sections 9 and 209 (title II) permit the Federal Emergency Relief Administrator to employ "experts, assistants, clerks, and other persons" without reference to the civil-service laws, although in section 401 (b) the Social Insurance Board, in its employment of regular officers and employees, is "subject to the civil-service laws."

TITLE III

1. In section 307 the definition of employers upon whom the employment excise tax is levied specifically excludes States and their political subdivisions. We suggest that here and in the corresponding definition in section 606 the language be amended to conform to the Federal income tax, under which the

Federal tax is levied upon employees of State and local proprietary operations, such as publicly owned waterworks, street railways, and electric-light plants.

2. We believe that both employees and employers should receive a credit allowance against the earnings and employment excise taxes provided in sections 301 and 302 for contribution to plant old-age pension plans whose age and payment provisions meet the standards specified in section 405 (a) of title 4. Proper provision should be made to transfer to the Federal old-age fund of accrued plant-pension credits where workers leave employment for any reason before the age specified in the Federal act. Such tax credit would be analogous to the credit provided for plant guaranteed unemployment plan as permitted in sections 606 and 608 (c).

TITLE IV

1. We direct attention to the fact that section 401 (a), providing for establishment of the Social Insurance Board, does not require Senate approval of board members, although such approval is required for members of other Federal boards of comparable importance, such as the Federal Trade Commission and the Interstate Commerce Commission, neither of which has authority over the expenditure of the vast sums contemplated in this bill.

2. We believe the committee should carefully review the question as to whether contributory old-age pensions should be provided through one standard old-age-pension law to be administered entirely by the Federal Government, or whether there should be provision for flexibility through State laws and primarily State administration of such laws. Title VI for such flexibility provides in State unemployment-compensation laws, and it has been suggested that this bill might consistently provide for minimum Federal old-age-pension standards, on the same general Federal and State financial basis as is provided in the State unemployment compensation laws in title VI. The criticism is made that such a plan must be on a national basis, since in some States the age distribution is such that it would be extremely costly to provide a State pension plan. Consideration might well be given, however, to the fact that the vast bulk of the population and of the United States is in States where there is sufficient diversification both of population and industry to provide coverage under State laws. The small minority of population in other States could be provided for through State old-age-assistance laws as set forth in title I. It may be pointed out that some 28 States now have laws which in many respects conform to the State old-age-assistance plans specified in title I, and which have been endorsed as socially adequate by proponents of the present legislation. Moreover, the existence of State contributory old-age-pension laws would permit pension payments consistent with the varying wage scales in the different States.

3. Section 407 (a3) provides that unemployment compensation should be paid "to all persons eligible thereto", under the respective State laws. It seems inconsistent to then provide, as does section 606, for regular payment of unemployment-compensation tax into the Federal Treasury upon wages paid all employees, regardless of whether the law of the State in which the employer is situated renders any of his employees ineligible to receive unemployment benefits.

4. Section 407 (a4) requires that all unemployment compensation be paid "through public employment offices of the State", although some of the States might have available or prefer other methods of making such payments. Under the bill as now planned the State administrators are given no latitude to prescribe places of unemployment-compensation benefits.

TABLE V

1. The entire provision for issuance and sale of annuity certificates by the Social Insurance Board is unjustified and unwarranted, since it puts the Federal Government in competition with existing private business. If this provision, as contained in the law, is passed, provision should be made for including in the cost of such annuities, allowances for taxes and other items of overhead which must be borne by private insurance companies.

2. Section 501 provides that the annuity amount should be based on premium paid, plus interest accretions, yet section 502 specifically permits deferring "payment of interest", which would mean that despite payment of premiums which should be sufficient to assure the annuity specified at age 65 the Social

Insurance Board might, if it considers its funds insufficient, or for any other reason, reduce the amount of the annuity by deferring that part of the annuity attributable to interest accretions, and there is no limit specified as to the duration of such annuity reductions. The purchaser of the Government annuity certificate would, in other words, have no assurance that he would receive at age 65, and after, the monthly amount specified.

TABLE VI

1. In connection with section 601 it may be noted that if any State does not provide for contribution to a State unemployment compensation fund until after January 1, 1936, during such intervening period the employer must pay his full unemployment compensation tax into the Federal Treasury without being able to obtain any portion of the 90-percent credit provided in section 602.

2. It is now provided in section 601 that during the 3 years beginning January 1, 1936, the unemployment excise tax upon employers shall vary between 1 and 3 percent, and that after the first 3 years the tax shall be 3 percent. During the first 3 years the percentage of the tax is related to the Federal Reserve Board's adjusted index of total industrial production averages for the years 1923 to 1925, inclusive. We believe it is essential to point out in this connection our belief that new cost burdens should not be imposed upon industry, thus increasing the price of goods which agriculturists must purchase, and thereby further increasing the disparity between industrial prices and agricultural prices, until farm buying power is increased. In this connection I direct your attention to the following statement made by Mr. Louis H. Bean, of the Agricultural Adjustment Administration, during the National Industrial Recovery Board hearing January 31:

"Policies that tend to raise prices to the producer, whether they are due to increased manufacturing costs brought about by the sharp reduction in hours or to distribution costs, tend to widen the gap between farm and city prices, which, from the standpoint of stabilization, need actually to be brought closer together. Agricultural prices were 38 percent below 1929 during the year 1934 and 31 percent below in December, while industrial prices were only 13.5 percent below."

It is obvious that this bill would impose large additional taxes upon industry. Consumers as a whole, and particularly agricultural consumers, would pay more for their purchases as the tax burden upon industry is increased. We suggest that the committee carefully consider the advisability of providing that the pay-roll tax should not exceed 1 percent of the employer's pay roll until the ratio of prices received to prices paid by farmers, as reported by the Bureau of Agricultural Economics, reaches 84 percent of the average for the years 1923 to 1925, inclusive. If after the first 3 years the two levels, both industrial production and farm buying power, are not at the 84 percent level, then the tax should be further reduced to say one-fourth or possibly one-half of 1 percent until both indexes reach at least the 84 percent level. The State of Wisconsin, moreover, provided that the State law imposing a pay-roll tax burden upon employers should not become effective until a certain employment average in the State was reached. We suggest to this committee the advisability of carefully considering incorporating a provision in the pending bill that if any State in its unemployment compensation law establishes a State-wide index of industrial production or employment which must be reached before payments are made into the State fund, that employers of such State during such period shall either be exempted from contribution into the Federal unemployment trust fund, or shall at least receive credit against their Federal tax of 90 percent of the amount of such tax. Otherwise, there is a Federal tax penalty on employers in a State when the State itself believes it would be unwise to collect such tax.

3. Under section 601, the entire employment excise tax is paid by the employer. The earnings and employment excise taxes to be paid into the old-age pension fund, as provided by titles III and IV, provide for equal payments by both employers and employees. We suggest to this committee careful consideration of providing for payment into the unemployment trust fund by employees as well as employers. In every operating foreign system both employers and employees contribute. I direct your attention in this connection to the following remark made by President Roosevelt when Governor of New York in addressing the New York State Federation of Labor at Buffalo, August 27, 1930:

"I hope that the next administration and the next legislature will take up a practical, definite study of unemployment insurance, avoiding, of course, any form of dolo, and basing their investigation on sound insurance lines under which the State, the employer, and the employee would all be joint premium payers."

4. Section 602 (2) declares that unemployed persons shall not lose their right to benefit payments because they refuse to accept work at wages "substantially less favorable than those prevailing for similar work in the locality." This language should certainly be more clearly defined—is "similar work" any job in the locality—perhaps the highest paying of many employers, or does it mean, as I think it clearly should, the wage being paid for the majority of private work in the same trade and industry? Under the bill as it now stands the Secretary of Labor is given inside authority to practically dictate the wage which shall exist in every trade in every locality.

5. Section 602 (e3) is objectionable as prohibiting requirements that employees join a so-called "company union", while not prohibiting compulsion upon the employee to join any other form of labor organization. As it now stands this language would permit a requirement that employees belong to communistic or other radical labor organizations. We respectfully suggest that the Government has no legal or equitable right to discriminate either between individuals or groups of citizens and that it should make no requirement, and should favor no requirement, that employees be required either to join or refrain from joining any lawful labor or other organization.

6. Under section 606 the tax on an employer is upon "the total amount of all wages paid * * * to persons employed by him." It is unreasonable and discriminatory to require the payment of any such tax upon the wage of employees who are not eligible to receive compensation payments under the law of the State in which the employer is situated (section 407 (a3), 602 (e), and 606, lines 10, 11, and 12 on p. 47).

7. Under section 606 only employers, and their employees, of four or more persons are taxed or covered. Why four? Why not three or five? Since a Federal record must be kept on every employer of one or more persons in the contributory old-age pension system which would be established, it should from an administrative standpoint be no more difficult to provide that the unemployment compensation provisions shall also directly affect all employers of one or more persons. Moreover, under this law a person normally employing less than four persons, who employs five or more for one quarter of the year—for plowing, harvesting, ice-cutting, etc.—must pay his one, two or three employees the entire remainder of the year.

8. Under section 602 an employer may receive a credit of 90 percent for contributions to a State unemployment compensation fund. In the absence of any contrary provision it would appear that such State law may provide for either a central pooled reserve, an industry reserve, or a company reserve basis. Under section 607 an employer may receive additional credits against his Federal tax, if he has been permitted to decrease his State tax to a lower point than the Federal tax. For example, the standard Federal tax is 3 percent. The standard State tax is, we will assume, also 3 percent. But the State law permits an employer because of a favorable employment record, or some other reason, to reduce his tax to 2 percent. Under normal conditions the Federal tax will be, let us say, \$300 on the employer's pay roll, and the State tax \$300. The employer, however, would receive credit of \$270 against his Federal tax, thus paying \$30 to the Federal fund and \$300 to the State fund. If the employer is allowed to reduce his State tax to \$200, he would, in the absence of provision for any further credit, receive a Federal credit of \$200, and pay a Federal tax of \$100 plus a State tax of \$200. The provisions for additional credit in section 607 would, however, permit a Federal credit of \$270, thus making the Federal tax \$30 and the State tax \$200.

But under section 608 the additional credit provided in section 607 will not be granted unless the employer has ever since contributions "were first required of him" contributed to a "pooled fund" * * * at least 1 percent of his pay roll."

In other words, the bill apparently allows the State governments to have pooled or reserve plans, but in fact to coerce them into creating pooled funds by specifically providing that employers will not receive credit for favorable employment records unless the State has such pooled funds. It will be observed that provisions (b), (c), and (d) of section 602 are of an optional character, while provision (a), relating to pooled funds, is apparently mandatory. We urge that each State be fully and actually allowed to determine for itself

whether it desires to establish a pooled fund, an industry reserve plan, or a company reserve plan as the basis of its law.

(9) Section 608 (b) stipulates that if a State law permits or requires a separate reserve for an employer, or a group of employers, and allows reduction or elimination of payments by such employers, that no "additional credit" against the Federal tax can be obtained unless the reserve account at issue "amounts to not less than 15 percent of the State pay roll of such employer or group of employers.

Accepting for the present the Economic Security Committee estimate that there is a normal unemployment of 8 percent (report, p. 1) then the 15 percent reserve is obviously unreasonably high; moreover, since the employer or group of employers in question would be allowed to reduce their contributions to the State fund only because of exceptionally favorable previous employment stabilization records, the 15 percent seems completely out of question. The 15 percent is approximately twice the 8 percent unemployment average; the 15 percent might well be reduced to 6 percent, or the equivalent of total contributions for 2 years.

10. In paragraph (c) of section 608 we believe the 7½ guarantee is too high; it is altogether disproportionate to other tax and payment provisions in the bill. This could, it would seem, be reduced to at least 6 percent.

11. Under section 602 the standards required for State unemployment compensation laws would apparently permit unemployed, seasonal, and casual workers to receive benefit payments on the same basis as other workers. This is such an important aspect that the recommendations of the Economy Security Committee (report, p. 18) should be incorporated in the bill itself.

12. The standards for State unemployment compensation laws are deficient in not requiring applicants for benefit payments to be able to show that they are genuinely seeking work and in not requiring them to report regularly to local or district State administrative officials. When the English Government removed the requirement that applicants must show themselves to be genuinely seeking work there was a large immediate increase in the number of applicants for unemployment benefits.

13. The standards for State unemployment compensation laws are also deficient in not providing, in order to prevent fraud, that all persons for whom contributions are made should be properly registered, and all applicants for payments properly identified. The same protection should be provided in connection with the contributory old-age-pension system.

14. The standards for State unemployment compensation funds are inadequate, moreover, in not protecting solvency of such funds by providing that payment to any individual should be directly related to the number of weeks of his previous employment; that is, the period for which contributions have been made on his behalf to the State fund. This is recommended in the Economic Security Committee Report (p. 18) and should be in the bill. We direct your attention in this connection to the following statement made by President Roosevelt when Governor of New York, before the New York Life Underwriters Association:

"It is of the utmost importance that unemployment insurance, like the other forms, be based on sound actuarial tables. This is the fundamental which will prevent a mere dole or gift on the part of either private agencies or governments themselves." (Insurance Federation News, April 1931.)

15. We further suggest that the standards for State unemployment compensation laws are deficient in not prohibiting payment of benefits to those who have voluntarily left their work, either by going on strike or otherwise. The Wisconsin law and every European unemployment law provide that unemployment due to trade dispute shall not be compensated.

16. The standards for State unemployment compensation laws are further more deficient in not providing that workers discharged for cause should be treated on a different footing than workers who lose their jobs through no fault of their own.

VAGUENESS THROUGHOUT BILL

This bill is replete with indefinite phrases and standards which are open to at least two serious objections:

(a) They make it difficult to know what the bill actually proposes.

(b) They supply an insufficient guide to those charged with administration of the various parts of the proposed law.

Among the many standards set forth in the bill which are so vague and indefinite as to challenge curiosity, defy exact interpretation, and puzzle administrators, we find the following:

1. Sections 3, 4, 203, 204: "Reasonable subsistence compatible with decency and health."

2. Sections 4, 204: "Substantial" participation by State governments as such in State plans.

3. Sections 206, 406, 701, 702, 703, 802: Apportionments of Federal funds "on a basis of need" (or equivalent language).

4. Section 406. "Proper administration of such laws."

5. Section 407. "Reasonably calculated to insure full payment."

6. Section 602. "Substantially less favorable"; "similar work in the locality"; "bona fide labor organization."

7. Sections 701, 702, 703. "Reasonable provision for State administrative and supervisory services."

8. Section 702. "Adequate facilities."

To illustrate some of the practical difficulties involved in connection with such vague definitions as those quoted:

1. What is a wage "prevailing for similar work"?

Interpreting a similar phrase the United States Supreme Court has said:

"The words 'current rate of wages' do not denote a specific or definite sum." (*Connally v. General Construction Co.*, 269 U. S. 385; 1926.) One Secretary of Labor might adopt one idea as to what constitutes the prevalent wage and his successor might supply a totally different yardstick. No adequate standard is provided in this bill.

2. Or what is a "substantially less favorable" wage? One percent less, 2 percent less, 5 percent less, 10 percent less, or 25 percent less? Here again under the bill as now worded every Secretary of Labor might apply a different standard.

3. Or what is a "reasonable" subsistence? Shall we apply an arbitrary standard for the entire country? Or shall we apply a separate standard for each State? But even in States there are wide variations in living standards from State to State.

The United States Bureau of Labor Statistics has made no budgetary survey of living costs since 1918, and the predecessor of the present Commissioner of Labor Statistics declared that the present Bureau figures as to living costs in only 90 localities lack "the accuracy which is essential to their usefulness." This bill provides no standard for determinations of what is "reasonable."

4. Or take the comparatively simple question as to what is a "locality." This is not, as I gather it, a penal statute, but certainly we should at least try to have as much accuracy and definiteness in a bill of this sort as is required in penal statutes. Upon the meaning of the word "locality" the United States Supreme Court has said (*ibid.*):

"Additional obscurity is imparted to the statute by the use of the qualifying word 'locality.' Who can say, with any degree of accuracy, what areas constitute the locality where a given piece of work is being done * * * In other connections or under other conditions the term 'locality' might be definite enough, but not so in a statement imposing criminal penalties."

CONCLUSION

Mr. Chairman, we submit in conclusion that measures designed to establish permanent economic and social systems should receive most careful consideration. We pledge our full cooperation, wherever it may be desired, to this committee in its study of the problems presented in the pending bill. These problems are so extremely complicated that they really require and justify months instead of weeks of analysis.

We fully appreciate the seriousness with which this measure is being reviewed by your committee, and deprecate any attempt to hurry the committee to a definite favorable recommendation of a substantially unchanged bill. Daniel Webster in discussing a measure of similar import well said, in effect, that "it would be better to have no bill than a bad bill."

This bill has three principal divisions: (1) the establishment of a permanent Federal-State old-age assistance system, which is desired in part, however, to also relieve the present emergency situation; (2) the establishment of a permanent Federal contributory old-age pension plan; (3) the creation of a permanent Federal-controlled system of State unemployment compensation, neither of the latter two having any possible beneficial result in the relief of present distress and indigency.

The Federal standards set up for the proposed State unemployment compensation laws are both inadequate and in opposition to lessons learned from foreign experience.

The unemployment compensation tax proposed ignores, moreover, the fact that additional cost-increasing burdens should not be imposed on industry until farm buying power increases.

The Federal contributory old-age pension system raises questions of actuarial solvency, of investment of funds, of stability of Federal financing, of possible raids on reserve funds, of whether this generation should arbitrarily compel future generations to bear our burdens—all questions of such extreme gravity, surely, that they merit long and calm review.

This bill permits arbitrary Federal attempts to control both living standards and wages in every part of the country.

This bill, as it has been formulated and presented to your committee, not only necessitates an elaborate administrative system and is filled with vaguely defined standards, but it violates principles enunciated by the President, disregards opinions of actuaries consulted by the Economic Security Committee, and in many important respects disregards advice tendered upon request to the Economic Security Committee by its advisory council.

Finally, Senators, we commend to your attention the belief by Edmund Burke that it is—

Better to be despised for too anxious apprehensions than ruined by too confident security.

The CHAIRMAN. The next witness is Benjamin C. Marsh, of Washington, D. C., representing The People's Lobby.

STATEMENT OF BENJAMIN C. MARSH, REPRESENTING THE PEOPLE'S LOBBY, WASHINGTON, D. C.

Mr. MARSH. Mr. Chairman and members of the committee, I appear on behalf of The People's Lobby and would like to make some comments on this bill, with your permission.

I want first to discuss the general principles involved, but to point out that in our judgment the bill should not be called a security bill or social-security bill for two reasons: The first is that you cannot make any individual secure in the unstable insecure situation in America today, which is daily getting worse and more precarious. The only thing that is preventing a complete collapse is the fact that the Government is continuing the policy inaugurated under President Hoover—I am going to be frank and not play any politics—of giving Government credit to maintain values which are water in the main. The proposed banking bill permits a complete shift in the whole banking policy of the country under which banking de-

posits were supposed to be liquid, permits banks in order to enable them to earn a profit apparently, to go into mortgage business and to loan 75 percent of the actual value of real estate, which, of course, is a wild guess, since the present value in homes, cities and farms, is two to three times what the people can stand.

No citizen is more secure than the economic system of which he is a part. That this fact is appreciated is indicated, I may say, because last week, Saturday, I spoke for 20 minutes in a coast-to-coast hook-up on the N. B. C. We have gotten in around 1,400 letters already from about 30 States expressing appreciation of the very thought I have given today.

But if you are going to attempt to have security of any sort it cannot be done as this bill contemplates. The words "unemployment insurance", as far as security is concerned, is a misnomer. It cannot be put on an actuarial basis. We cannot rely upon any individual employer continuing in business for a stated time, and you cannot hold him responsible, unfortunately, to maintain people if he is bankrupt himself.

The seriousness of the situation is entirely ignored in the Wagner bill, and I am going to quote a little from the report of the committee on economic security which was headed by Secretary of Labor Perkins, as chairman, and the other members I think you all know.

On page 2 of that report the statement is made that at least one-third of all of our people, upon reaching old age, are dependent upon others for support, and less than 10 percent leave an estate upon death of sufficient size to probate. Of course, if they do not leave an estate of sufficient size to be probated, that means that they have not enough to live on and the income from it.

Further on they state:

The one almost all-embracing measure of security is an assured income. A program of economic security, as we vision it, must have as its primary aim the assurance of an adequate income to each human being in childhood, youth, middle age, or old age—in sickness or in health. It must provide safeguards against all of the hazards leading to destitution and dependency.

This bill ignores all of these principles. I will give some more brief references from this committee's report on this bill. It is entitled to be called a swindle on the American people. It says: "In 1930 there were nearly 6,500,000 people over 65 years of age in the country, representing 5.4 percent of the entire population. * * * It is predicted, on the basis of the present population trends, that by 1940 6.3 percent of the population will be 65 years of age; by 1960, 9.3 percent; and by 1975, 10 percent."

Further on the same page it says that "The number of old people now in receipt of charity is probably in excess of 1,000,000." And further, "At this time a conservative estimate is that at least one-half of the approximately 7½ million people over 65 years now living are dependent."

Taking those two statements together, you will realize that we will take conservatively 3,750,000 people are dependent, only 1,000,000 are being taken care of by public charity, and that means 2,750,000 people are dependent for existence in this wealthiest country in the world upon sponging upon their relatives. How much money would be necessary in order to take care of them? They make an estimate

also which is, in my judgment, very striking—I don't know how it escaped public notice as much as it has—they say at page 25:

Men who reach 65 years still have on the average 11 or 12 years of life before them; women 15 years. A man of 65 to provide an income of \$25 per month for the rest of his life (computing interest at 3 percent) must have accumulated approximately \$3,300; a woman nearly \$3,600. If only this amount of income is allowed to all of the people of 65 years and over, the cost of support of these aged would represent a claim upon current national production of \$2,000,000,000 per year.

How much does this bill carry? We have not got the exact figures, I concede, but the estimate was made as to how much would be paid out under this bill. I believe the highest is \$125,000,000 by the Federal Government—\$50,000,000, or something like that, to start on, and if they paid the full amount of \$125,000,000 and the same amount was duplicated by the States, you would have \$250,000,000, and this committee on economic security says that the support of the aged would represent a claim upon current national production of \$2,000,000,000 a year.

Another point I would like to make from this committee's report on economic security, the President's committee, it says that there are 300,000 dependent and neglected children, 500,000 people who are physically handicapped, 200,000 who come as delinquents annually before the courts, and 75,000 illegitimate children born every year. They also make the statement that there are at the moment over 7,400,000 children under 16 years of age on relief rolls.

And what is the proposal of the Committee on Economic Security? I do not mean to criticize individuals, but this bill can only be construed and described, and as I told the Committee on Ways and Means, as the President's bill for insecurity to evade responsibility for unemployment. It is that precisely. It attempts to pass to the States responsibility for the unemployed, although the Federal Government now for nearly 2 years, and this administration has been telling us not that prosperity was around the corner, upon which millions of people waxed fat under the Hoover administration, that prosperity is here. It attempts to compel the States to establish State unemployment-insurance systems, which is thoroughly impractical—the States cannot be held responsible for that.

There is only one honest thing, and every member of this committee knows, for any administration to do—I don't care whether it is Republican or Democratic or Communist or Socialist—the Federal Government or the so-called "government" of every country has to maintain its people.

I have been this past summer in the four Scandinavian countries; also in Russia, in Germany, France, and England. Despite the poverty, relatively, of most of those countries, their national governments are accepting the responsibility of seeing that people have either relief or employment. Our Federal Government, on the contrary, is refusing to do this, and is attempting to pass to the States the major responsibility for the inevitable collapses of the stupid policies euphemistically designated "the new deal" that is shown in their passing the buck, to use polite language, or attempting to place the responsibility upon the State government. Of course, it is

futile to continue the policy we have up to date of taxing the poor to maintain the starving. The results of continuing this for some time, and it is what we have been doing for quite a bit of time, is that you are crowding the people of moderate means into the ranks of the unemployed.

I would like to call to your attention that under the President's so-called "security plan", which we designate correctly as the "insecurity plan", the total outlay of the Federal Government for the fiscal year 1936 will be, in round figures, \$100,000,000 as estimated by the New York Times, of these following items: Old age, \$50,000,000; unemployment insurance, about \$5,000,000; mothers' assistance, \$25,000,000; maternal and child health, \$4,000,000; crippled children, \$4,000,000; child welfare, \$1,500,000; public health, \$10,000,000. Each succeeding year after 1936 the aggregate is going to be in the neighborhood of \$220,000,000 under this plan, but you will see that really the total unemployment insurance the first year, \$5,000,000, amounts, if you have 10,000,000 people, to 50 cents a year. I tell you that any administration that thinks that 50 cents a year, any administration that thinks that, is not entitled to be perpetuated in office because after next year they get \$5 apiece, and we are spending billions today and not providing decent standards of existence for them today.

Senator HASTINGS. Are you not misinterpreting what is meant by that \$5,000,000?

Mr. MARSH. That is the Federal Government's contribution for the unemployment insurance fund.

Senator HASTINGS. It is not expected that that \$5,000,000 will do anything more than help get the plan started. It is not intended to be distributed among the unemployed as you suggest.

Mr. MARSH. I pointed out that you cannot put this on an actuarial basis; it is out of the question. The Government has got to insure its people or they are going to starve, 5,000,000 of them for the next 7 years, and I am going to read to you, if I may, the figures from the British experiment.

Senator HASTINGS. I just did not want the record to show a clear misinterpretation on your part of what the administration expects to do with that \$5,000,000 when you talk about it being 50 cents a year for the unemployed.

Mr. MARSH. My point was this, and I would hold the same thing exactly if, when, and as the Republican Party comes back into power, that the Government has got to provide work or we are going to have an army of 5 to 6 million unemployed for years, or it has got to maintain them.

Senator COUZENS. We know, of course, that you are against the bill, but will you tell us what your solution would be? I think that would abbreviate the situation, would it not?

Mr. MARSH. I thought you might be more inclined to accept my solution if I pointed out the necessity for it. If that is admitted—

Senator COUZENS (interposing). I think it is a reflection upon the committee that we do not know the situation. We would like to know what you would do.

The CHAIRMAN. Mr. Marsh, I would like to ask you how much time you will take this morning?

Mr. MARSH. About 10 minutes more if you can grant it.

The CHAIRMAN. That is all right. May I say that these matters you want to read from, if you will mark them and just give them to the stenographer so that you can point out constructively what you would do under the circumstances.

Mr. MARSH. Surely.

The CHAIRMAN. So that you can elaborate in that way if you want to.

Mr. MARSH. May I read in an article from the New York Times of Sunday, February 10, on social security, what the nations have done, countries that have pioneered in the field?

Senator COUZENS. Why not put it in the record? Most of us have read it.

Mr. MARSH. If I may; yes.

The CHAIRMAN. Do you want it all to go into the record?

Mr. MARSH. It covers several countries, and I think it is really a very strong statement.

[Reprinted from the New York Times, Feb. 10, 1935]

FOR SOCIAL SECURITY: WHAT THE NATIONS DO—REPORTS FROM CAPITALS OF COUNTRIES WHICH HAVE PIONEERED IN THE FIELD THE UNITED STATES NOW ENTERS

With the eyes of the Nation focused on the President's social-security proposals, the experience of other countries in the field of unemployment, old-age and health insurance becomes of intense interest to the United States.

In Great Britain a wide system of social insurance is now taken for granted. In Germany, too, there are a number of compulsory measures. A more limited program is in effect in France. Social insurance has been fostered in such countries as Italy and Uruguay, while in Austria some setbacks are now believed probable.

In submitting his program to Congress President Roosevelt pointed out that his plans did not attempt to achieve the millenium immediately. His proposals included: (1) Immediate protection of the needy aged (above 65) through free pensions not to exceed \$30 a month; (2) a national system of compulsory contributory old-age insurance; financed equally by employers and employees without Government participation; (3) a system of voluntary annuities for those in higher income groups; (4) a system of unemployment insurance, financed by a 3-percent tax on pay rolls; (5) Federal grants to States for assisting widows and children.

For comparison with the American plan the significant facts about the social legislation of important countries are pointed out in the dispatches which follow.

BRITAIN'S LAWS EXTENSIVE—SOCIAL SECURITY PROGRAM HAS BEEN BUILT UP SINCE 1908

[Wireless to the New York Times]

LONDON, February 7.—The British State pension and insurance systems for social security had their origin in the Old Age Pension Act of 1908, for which David Lloyd George was responsible in his capacity as Chancellor of the Exchequer.

England is only 3 decades ahead of the United States in welfare legislation of national scope and financing, but already takes her expenditures of public funds to offset poverty as a matter of course. The fact that Britain weathered through the depression of recent years without violence or threats of revolution is attributed chiefly to the automatic State aid by which everybody is cushioned against economic disaster.

Unemployment insurance began in 1911 as a second step after old-age pensions. The first unemployment-insurance law was of modest dimensions, applying only to a few selected trades, like shipbuilding and house construction, which had seasonal slack periods each year. This covered only about 2,000,000 workers.

THE REVISED LAW

After the war this law was revised to extend its provisions to nearly all wage-earning groups except agricultural workers and domestic servants. Now it covers nearly 13,000,000 workers between the ages of 14 and 65, for all of whom the insurance is compulsory. The weekly contribution from employer and employee is 1s 8d (41 cents), to which is added 10d (20 cents) by the Exchequer.

The weekly benefits over a period of 26 weeks of enforced idleness are 17 shillings (\$4.25) for men and \$3.75 for women. There is an additional allowance of \$2.25 for each adult dependent and 75 cents for each child.

The receipts from employers and employees in 1933, the latest year for which full statistics are available, were £38,098,314 (\$190,491,570). The Exchequer contributed £1,918,223. But the State had to supplement that by a further payment of £53,785,682 to take care of workers who had become disqualified by nonpayment of premiums through long-continued periods of idleness.

MORE AID PLANNED

New legislation, which went into effect this year for unemployment assistance apart from insurance, was intended to relieve the strain on the overburdened insurance fund. There are about 17,000,000 persons within the scope of the new assistance scheme, although the Government estimates that only 3,000,000 will actually need assistance at any one time. This law is primarily to abolish the old poor-law system, locally administered.

The allowances granted under the new assistance law are \$6 weekly for husband and wife, \$4 for a single man and \$3.50 for a single woman.

After a month the Government announced that the machinery under the new law was defective and promised that in no case would recipients under the old system receive less than under the new. Complaints had been made that the attempt to set up a national standard had worked hardship in many instances; that the rent allowances were too low (7 shillings 6 pence—\$1.87 per week—standard); that tribunals to hear individual grievances were still lacking in some cases. It was believed possible that the rent allowance would be increased and the family means test modified or repealed.

Another new law to be enacted this year will provide compulsory unemployment insurance for agricultural laborers, estimated to number 750,000. The weekly contributions to this scheme are 8 cents each from employer, employee, and exchequer. The benefits recommended are \$3 for a man, with \$1.62 for his wife, and 50 cents for each child.

Compulsory health insurance was established for all persons earning not more than £250 (\$1,250) yearly about the same time as unemployment insurance. The employer pays into the fund weekly 37 cents for each man and 27 cents for each woman employed; of this cost, however, he may get back 18 cents and 12 cents respectively by deductions from pay rolls. The benefits include free medical treatment, a sickness benefit for men of \$3.75, with \$3 for women, and \$10 weekly maternity benefit.

Old-age pensioners receive \$2.50 weekly under a contributory system from 65 to 70, then come under a noncontributory system, receiving \$2.50 if their private resources do not exceed \$315 yearly, grading down to no pension if their resources are \$500. There are about 400,000 widows receiving pensions under the contributory scheme and 350,000 getting benefits for which they contributed nothing.

SIX SCHEMES IN GERMANY—JOINT CONTRIBUTIONS THE RULE IN COMPULSORY INSURANCE PLANS

[Wireless to the New York Times]

BERLIN, February 7.—There are six kinds of compulsory insurance in Germany. They are for illness, accident, disability, unemployment, office employees, and a special mine union insurance. All are either managed or supervised by the Government.

Illness insurance embraces all workers, office employees, journeymen, apprentices, and domestic help earning less than 3,600 marks (\$1,440) a year. It

provides sick money beginning on the fourth day of illness and continues until the twenty-sixth week of medical attention. It includes assistance to women about to become mothers. In case of death it provides burial money.

Funds are raised by contributions according to wages by the insured person, who contributes two-thirds, and his employer, who pays one-third. Office employees, however, are entitled to 6 weeks' salary from their employers before the sick money becomes due.

HAZARDOUS OCCUPATIONS

Accident insurance includes persons in particularly hazardous occupations, such as factory workers, miners, druggists, hospital attendants, chimney sweeps, window cleaners, and butchers. It provides about the same benefit as illness insurance. In the case of fatal accidents it provides burial money of 50 marks (\$20) minimum and a pension for the families. The cost of this insurance is levied on employers only.

Office employees' insurance is compulsory disability and old-age insurance for all office employees earning less than 7,200 marks (\$2,880) a year. Contributions are made by pasting stamps in a book, employees, and employers each paying half the cost. After having contributed for a minimum of 60 months the insured is entitled to a pension after the age of 65 or earlier in the case of 50 percent disability. In addition the insurance pays the cost of prolonged treatments and, in cases of death, pensions to the families.

DISABILITY INSURANCE

Disability insurance is applied to all members in the illness insurance system who are not under the office employees' insurance and in general provides the same benefits and calls for the same contributions of proportional wages as the latter except that for persons under 65 years of age only those who are two-thirds disabled are paid.

Unemployment insurance embraces all those who belong to the illness or office employees' insurance systems except domestic help and agricultural labor. It provides benefits amounting roughly to half the weekly wage for 36 days and may be extended to 20 weeks if the insured is destitute. Employers and employees each pay half the cost.

Mine union insurance applies to all employees engaged in the mining industry and comprises illness, pension, disability, and office employees' insurance.

The above insurance systems apply to all private business. Civil service officials and employees have their own illness and pension insurance system, from which the Government deducts appropriate amounts from their salaries.

VARIOUS FORMS IN FRANCE—SICKNESS, MATERNITY, OLD AGE AND DEATH ARE INSURED AGAINST

[Wireless to the New York Times]

PARIS, February 7.—Social insurance covering sickness, maternity, old age, and death became compulsory in France by the act of April 5, 1928, which was finally carried through parliament by Pierre Laval, now Minister of Foreign Affairs. All employees receiving less than 15,000 francs (\$975) a year, or less than 18,000 (\$1,170) in certain areas, are insured.

Employers and employees each contribute to the funds in the proportion of 5 percent of total salary paid. Payment is usually made by affixing stamps to the social insurance cards. The State contributes from budget 750,000,000 francs (\$48,250,000) under different headings.

Insurance is supposed to cover medical attention and pharmacy bills. It is, however, in actual experience rarely that this is done. After 6 days' illness and for 6 months thereafter the insured person is entitled to half salary. At the end of 6 months invalid employees who have been contributors to the scheme for 2 years are entitled to a pension.

OLD-AGE PAYMENTS VARY

Old-age pensions are provided from the age of 60 years, or 55 in cases where the employee has paid contributions regularly since the age of 16. The amount of pension is based on the salary and amount of contributions to the scheme.

Heirs of insured people have the right to a small capital repayment in the event of the death of the insured.

Employed women may receive half salary during 6 weeks previous to and 6 weeks following the birth of a child.

There is no State unemployment insurance in France.

MOVEMENT GAINS IN ITALY—SOCIAL INSURANCE DIVIDED INTO FOUR MAIN BRANCHES

[Wireless to the New York Times]

ROME, February 7.—Social insurance has received great impetus in Italy during the last few years. As conceived here it includes four main branches—accident, old-age, tuberculosis, and unemployment insurance. These are complemented by the Institute for Maternity and Infancy, which renders valuable assistance to mothers before, during, and after childbirth.

Accident insurance is a monopoly of the National Fascist Institution for Insurance against Labor Accidents. It is obligatory, and the premiums, which are paid entirely by employers, vary according to vocation and average about 10 percent. Benefits include lump-sum compensation for lost wages in cases of accident, or pensions in cases of total or partial permanent disability or death.

The three other branches are concentrated in the National Fascist Institution for Social Insurance. The insurance is compulsory and premiums are paid in equal shares by employers and workers. The premiums vary according to the weekly wage and average about 10 percent.

About one-quarter goes for unemployment insurance, the remainder being divided equally between tuberculosis and old-age protection.

Those insured against unemployment number about 4,000,000, agricultural workers being excluded. Persons receiving benefits average 250,000 throughout the year. In connection with this scheme there are professional schools, free employment agencies, a national committee for internal immigration to encourage unemployed persons to move to provinces where workers are lacking.

FREE MEDICAL CARE

The proceeds of tuberculosis insurance are largely employed in the construction of hospitals, a program providing for 20,000 beds being well on the way toward completion. An average of 40,000 cases receive free medical attention yearly.

About 6,000,000 persons are insured under the old-age scheme. Persons receiving pensions number 380,000, while 60,000 new persons qualify each year. Annual pensions average 1,000 lire (about \$120).

Through legislation for the care of maternity and infancy about 40,000 mothers receive financial help, and an average of 30,000 receive free medical attention annually.

Other provisions for social protection include compulsory sickness insurance, applied at present only to seamen, airmen, and persons employed in the trades, but which it is hoped will soon be extended to all workers.

DEFICIT IN AUSTRIAN FUNDS—CLERKS' UNION MAY HAVE TO PAY 20 PERCENT OF WAGES

[Wireless to the New York Times]

VIENNA, February 7.—Although Austria has experienced a counterrevolution in the past year which resulted in the abolition of the republican constitution and parliamentary democracy, social legislation has not yet been greatly affected.

Basic reforms are pending for overcoming the deficit in old-age pension funds, which alone amount to approximately 44,000,000 schillings (\$8,360,000), and to transfer responsibility for sickness insurance from the state to employees and employers. It is unofficially reported that the contributions of both employers and employed will be increased as the services decrease.

The clerks' insurance fund faces an anticipated deficit of 33,000,000 schillings (\$6,270,000) for 1935. It is believed that contributions will be increased to

the high figure of 20 percent of salaries, employers and employed each to pay half.

Payments for illness, unemployment, and old age are to be reduced. The discontented victims declare that this is due to the Fascist government's vast expenditure for troops and police and the abolition of various luxury taxes imposed on wealthy Viennese by the former Socialist administration. But long before the counterrevolution the deficit was growing apace as a result of the steadily increasing unemployment and the falling standard of living.

Sickness insurance covers a wide field. More than a million and a half persons are insured and an additional million family members are entitled to certain benefits.

Compulsory unemployment insurance paid for by employers and employed provides 12 weeks' benefit with possible extension to 30 weeks.

Universal old-age insurance exists only on paper, as the laws have not been put into effect except for clerks, miners, and certain other categories. Unemployed industrial workers receive allowances after 60 years of age.

URUGUAY HAS BROAD PLAN—SOCIAL WELFARE PROVISIONS ARE PART OF THE CONSTITUTION

[Special cable to the New York Times]

MONTEVIDEO, February 7.—Uruguay is recognized as one of the world's leaders in social-security legislation. Its far-reaching program of government ownership and social welfare is based on the ideal that all citizens should be employed by the state during their productive years and thereafter retired on state pensions.

Social-security legislation here is closely bound up with government ownership. There are 78 items in the combined program of final objectives; 45 items have been embodied in social and labor codes.

The social-security laws have been embodied in the new constitution. The section on "rights, duties, and guarantees" provides for old-age pensions, child welfare, state care of mothers, free medical attention for the poor, workmen's accident insurance, cheap dwellings for laborers, and special consideration for employed women and children.

Then I would like to give just a brief summary of the report of the British system in a book, *The British Attack on Unemployment*, published recently by the Brookings Institution here. I will just mark it to save your time, but they say here, pointing out that of the total amount expended up to March 1934 of \$4,486,000,000, the employers and workers paid \$2,126,000,000, and naturally the government paid the rest, considerably over half.

(The article referred to is as follows:)

THE BRITISH ATTACK ON UNEMPLOYMENT

Unemployment insurance in Great Britain has brought benefits to industry and the nation, which "probably offset any disadvantages arising from the cost of premiums", according to a study of the *British Attack on Government*, by A. C. C. Hill, Jr., and Isador Lubin, published by the Brookings Institution of Washington.

The book is most timely in view of pending social security legislation.

The authors term such insurance preferable to any workable relief system yet devised from the standpoint of maintaining the workers' morale. Although agreeing that "no system of unemployment relief can completely escape the danger of demoralizing some of its beneficiaries", they nevertheless insist that, "For every British worker demoralized, a score may owe their self-respect and personal integrity to national unemployment insurance."

The authors report that the British fund in the 14 years ending with March 1934 had incurred a deficit of approximately \$671,000,000, with the pound sterling at its old parity of \$4.8665. Of the total cost of \$4,486,000,000, employers and workers paid \$2,126,000,000 and the national government \$886,000,000 in premiums. The remainder, excepting a \$107,000,000 surplus carried over from

the earlier fund which had existed since 1911, came from the treasury. In all but 3 of the 14 years, deficits resulted.

Disbursements of \$788,000,000 were made by the fund in furnishing outright poor relief rather than actual unemployment insurance benefits, as the two were not segregated completely. This situation was brought about by easing of benefit requirements. Such payments were, in addition to other large expenditures for direct poor relief, made chiefly by various governmental subdivisions.

"British experience", the authors say, "clearly indicates that an unemployment insurance fund can maintain its financial solvency only by limiting the period of unemployment for which it assumes liability."

They deny that the cost of unemployment insurance increased prices so as to cripple consumption and reduce exports, as has been charged by some employers, and assert the cost to the employer has been an "insignificant" factor in cost of production. For the 14 years, they place it at a maximum of 1 percent of the wage bill in manufacturing and mining, wherein practically all workers are insured.

They hold "the benefits which has accrued to industry and to the nation as a result of unemployment insurance probably offset any disadvantages arising from the cost of premiums. Labor reserves have remained in fair condition, the civil peace has been well preserved, property loss resulting from discontented labor has been almost negligible, and purchasing power for certain consumers' goods has been remarkably well maintained. It is peculiarly significant that industries which rely on the many small purchases of the 'rank and file', such as the manufacture of tobacco, furniture, the publication of newspapers, and the distribution of commodities have suffered little from unemployment."

"Constant tinkering with the requirements for unemployment benefits", the authors say, "has made it impossible to maintain the British unemployment-insurance fund in a state of solvency."

For the decade prior to 1931, when the average percentage of unemployment is placed by the authors at approximately four times that of the previous half century, "successful governments permitted unemployed persons, and even gave them the legal right, to draw benefits from the national unemployment-insurance fund despite the fact that they had exhausted legitimate insurance claims. The cost of this, as well as that of other relaxations, was met by doubling premium contributions, by loans from the treasury, and, beginning in 1930, by an outright treasury grant. Late in 1931, a clear demarcation between insurance and relief was made for the first time."

The authors assert that the system, whereby contributions are made by the workers, employers, and the Government, provides "excellent checks and balances."

"The wage earner", they say, "realizes that if benefits are to be extended or conditions relaxed, he, as well as his employer, must deduct the additional contributions from current income", but they hold the employer should contribute in order that he may pay "at least part of the social cost of preserving his labor reserves, of installing labor-saving devices, of failing to stabilize production, and of poor employment practices."

"The Treasury should contribute because unemployment is a public, as well as an industrial, problem. Irregular employment growing out of consumer whims and fads may thus, to some extent, be paid for by the consumer in the form of taxes."

They also pointed out, contributions by the State place unemployment resulting from such circumstances as blockades, wars, embargoes, discriminatory tariffs or monetary instability on the shoulders of the sovereign power.

Among the other instruments for dealing with unemployment in Great Britain discussed by the authors are public works, transferring of unemployed workers to overseas colonies and possessions and the retraining of workers.

"Relief works", says the authors, "have been limited in quantity and ineffectively planned and organized." Many of the public-works projects never went beyond the blueprint stage and relief work never provided employment for more than a small fraction of the unemployed, they add.

The failure of public works substantially to relieve unemployment in Great Britain is attributed among other things to lack of advance planning and difficulties encountered in taking over land from private owners.

"Neither the size of the program nor its timing was such as to afford it an opportunity markedly to affect the general industrial situation in the British Isles."

I would suggest this. As far as unemployment insurance is concerned, that you strike out practically everything—I will say everything after the enacting clause—and substitute therefor the Lundeen bill (H. R. 2827) as to the principles. There are some changes I would suggest.

You have got to take care of the people all the time they are unemployed. There is no provision for them in any bill except this one, and this is the only bill so far as I know which provides that compensation for disability because of maternity shall be paid to women 8 weeks previous and 8 weeks after childbirth.

I would like to have that bill go into the record.

THE CHAIRMAN. All right. I think it has been put into the record once.

MR. MARSH. I do not want to duplicate, surely.

THE CHAIRMAN. If it has not been, let it go into the record.

SENATOR HASTINGS. It is not very long.

[H. R. 2827, 74th Cong., 1st sess.]

A BILL To provide for the establishment of unemployment, old age, and social insurance, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be known by the title "The Workers' Unemployment Old Age and Social Insurance Act."

SEC. 2. The Secretary of Labor is hereby authorized and directed to provide for the immediate establishment of a system of unemployment insurance for the purpose of providing compensation for all workers and farmers above eighteen years of age, unemployed through no fault of their own. Such compensation shall be equal to average local wages, but shall in no case be less than \$10 per week plus \$3 for each dependent. Workers willing and able to do full-time work but unable to secure full-time employment shall be entitled to receive the difference between their earnings and the average local wages for full-time employment. The minimum compensation guaranteed by this Act shall be increased in conformity with rises in the cost of living. Such unemployment insurance shall be administered and controlled, and the minimum compensation shall be adjusted by workers and farmers under rules and regulations which shall be prescribed by the Secretary of Labor in conformity with the purposes and provisions of this Act through unemployment insurance commissions directly elected by members of workers' and farmers' organizations.

SEC. 3. The Secretary of Labor is hereby further authorized and directed to provide for the immediate establishment of other forms of social insurance for the purpose of providing compensation for all workers and farmers who are unable to work because of sickness, old age, maternity, industrial injury, or any other disability. Such compensation shall be the same as provided by section 2 of this Act for unemployment insurance and shall be administered in like manner. Compensation for disability because of maternity shall be paid to women during the period of eight weeks previous and eight weeks following childbirth.

SEC. 4. All moneys necessary to pay compensation guaranteed by this Act and the cost of establishing and maintaining the administration of this Act shall be paid by the Government of the United States. All such moneys are hereby appropriated out of all funds in the Treasury of the United States not otherwise appropriated. Further taxation necessary to provide funds for the purposes of this Act shall be levied on inheritances, gifts, and individual and corporation incomes of \$5,000 a year and over. The benefits of this Act shall be extended to workers, whether they be industrial, agricultural, domestic, office, or professional workers, and to farmers, without discrimination because of age, sex, race, color, religious, or political opinion or affiliation. No worker or farmer shall be disqualified from receiving the compensation guaranteed by this Act because of past participation in strikes, or refusal to work in place of strikers, or at less than average local or trade-union wages, or under unsafe

or unsanitary conditions, or where hours are longer than the prevailing union standards of a particular trade or locality, or at an unreasonable distance from home.

Mr. MARSH. Then let me point out this that you can do, at least; you can arrange to raise the revenue—I will discuss that later—if you have a revenue revision, and I think you have to, and unless you do you will have bankruptcy within 12 months for the Federal Government.

The New York Journal of Commerce points out that the total dividends and interest payments for the 5 years of the depression were 10 billion dollars greater than for the 5 years before the depression. From 1930 to 1934 the investor received 36 billion in dividends and interest. From 1925 through 1929 he received only 26 billions. And that compares with 17 billion for the 5-year period from 1920 to 1924.

I might say that the chairman considering the Lundeen bill has accepted an amendment to it to provide for taxing liquid surpluses of corporations as well as corporation current profits and personal incomes and estates.

Senator Couzens has asked how we would meet the situation. Well, Senator Couzens, there is no possibility in my judgment of meeting the situation until the Government goes into the employment of people generally. It will be futile to do that on the present capitalization. At the close of 1929, the alleged assets of corporations were 335 billions. That was about 175 to 190 billions more than they should be. At the end of 1932, the last figures we have, they were down only to 280 billions. You have got to squeeze out billions of water.

I made the remark since then several members of the committee have come in, that last Saturday I spoke over the N. B. C. radio hook-up on coast-to-coast, and I have gotten 1,400 letters from people about it. I discussed this writing down of capitalization and so forth. You have got to do that. The United States Steel has at least a billion of water in it. The utilities we know about. Whether under capitalism or under socialism you cannot pay returns on watered stock and let the producers have enough for a decent existence. Secondly, you have got to write down interest rates and the principle of long-term interest. We all know perfectly well what the Supreme Court will do has nothing to do with the situation. And if any country wants to survive, it does what it has to do to survive whether 9 lame ducks ratify it or not, and personally I think that 5 of those men will uphold anything that is necessary to save the situation.

Third, you have got to write down speculative land values. New York City, on Federal credit, paid Vincent Astor \$145,000 an acre to house the poor. That was legal but it was robbery. Young Wallace talked about the farmer—I beg your pardon, Secretary Wallace, and he points out that land values have gone up about \$1,340,000,000 in 1 year. For whose benefit and whose betterment? For the betterment of speculators like the Iowa Farm Holiday Association, the farm-land speculators, just as a major part of the expenditures which the Federal Government has made was beneficial to land-owners, and I have drafted an amendment to the proposed public-works bill stipulating that no Federal credit shall be extended to

any State or local government agency unless there is a provision—and I would like to submit that for this committee's information—that at least half of the cost of such a public improvement shall be assessed upon the property benefited thereby. There was an application for a Federal loan from New Jersey a year and a half ago. The chamber of commerce pointed out that the increase in the value of the property would be nearly 10 times the cost, and they did not want to pay a cent of it.

That is not going to meet the situation. The Federal Government has got to set-up its housing corporation. A bill will be introduced to do that. You have got to have the power to take land at a fair price instead of at a price at which all patriots always unload on the Government. Patriotism is usually measured by the excess of the price of your products which you are able to get from the Government. That was the case during the war and it continues in peace times.

I am going to remind you that 3 years ago, and then when the N. I. R. A. was pending, I told you that you could not compel the employer to keep on employing people. It was an idle gesture, just as this so-called "security bill" is a gigantic swindle. If you want to employ people, the Government has got to do it, and as I mentioned before some of you came in—I have been over in Europe a good deal this summer—there is no immediate fear of war because they will have a revolution at home if they start it and they know it—but every government is assuming the responsibility and going more and more into the giving of employment. And this Federal Government has got to within the next year or so, employ 4 to 5 million people.

Senator COUZENS. Doing what?

Mr. MARSH. Doing what will be demanded by the people when you have a decent distribution of national income.

Senator COUZENS. Yes; but what would you put them to work at? Manufacturing products for some one or some Government improvements?

Mr. MARSH. I would put them at the things in which consumption is deficient now. Of course, as a Detroit man, you ought to agree with me when I suggest that automobiles is one of them. Housing is the biggest thing.

Senator COUZENS. Do you say there is a deficiency in automobiles now?

Mr. MARSH. Sure. If there were a decent priced automobile I would not be driving one that is 5 years old.

Senator COUZENS. You think they are too high priced?

Mr. MARSH. Yes.

Senator COUZENS. You think the Government could manufacture them cheaper?

Mr. MARSH. If they would cut out the profit, they certainly ought to be able to cut it down a little.

Senator COUZENS. I am commencing to lose confidence in your judgment, now, Mr. Marsh.

Mr. MARSH. I would hardly expect a person who has been so blessed by participation in the Ford Co. to criticize the profits of the automobile companies, but I am pointing out—

Senator COUZENS (interposing). That is many years ago. They do not make the same profit that they used to.

Mr. MARSH. That is a matter upon which you have more information than I have.

Senator COUZENS. That is the reason I am questioning your judgment.

Mr. MARSH. I would point out that the Government had been able to do some things reasonably cheaper.

Senator KING. What, for instance? I have not discovered it yet.

Mr. MARSH. Before the advent of Saint Jim Farley, they ran the post office pretty well.

Senator KING. Not very cheaply. They had a deficit, notwithstanding the high prices, a deficit of about \$150,000,000 a year.

Mr. MARSH. Under which administration?

Senator KING. The deficit was under all administrations.

Mr. MARSH. A Republican administration will always find a deficit under Democratic administrations, and a Democrat administration will always find deficits under Republican administrations.

The CHAIRMAN. I am trying to accommodate everybody today; we have a large calendar. Will you proceed, Mr. Marsh?

Mr. MARSH. I am answering questions. I will confine myself to the unemployment feature and security.

Before Senator Couzens raised the question of what the Government would do, I had mentioned the establishment of a housing corporation and buy land cheaply; secondly, it will have to go into those industries where there is vast unemployment, because of overcapitalization, commandeer them, write down the capitalization and put people to work. It will have to go all down the line and do that, and it is going to have to do that within a year or have to spend 4 or 5 billion dollars, and as the National City Bank pointed out, our real debt of the 31 of June next year, the national debt is going to be nearly \$39,000,000,000. You cannot keep on feeding them; the Government has got to employ them.

I have made the practical suggestions as to this bill, and I suggest that you substitute the principles of the Lundeen bill and stop talking about unemployment insurance when that term is now in vogue 10 years too late. If we had started 10 years ago, it might be insurance. Now, the only thing you can do is for the Government to get prepared to insure income or to maintain people without doing any work, and if this administration cannot I am confident the American people will find their administration that can in the next election.

The CHAIRMAN. Thank you. Is Miss Taylor here?

STATEMENT OF MISS LEA D. TAYLOR, CHICAGO, ILL., REPRESENTING THE ILLINOIS COMMITTEE ON SOCIAL SECURITY

Miss TAYLOR. I am representing the Illinois Committee on Social Security, a State-wide organization on which there is representation from those connected with civic, educational, religious, agricultural, social service, labor groups and individuals, and employers, such as the Woman's Trade Union League, Amalgamated Clothing Workers, Illinois Federation of Labor, Chicago Church Federation, Chicago Federation of Settlements, the Urban League of Chicago, the committee on social legislation of the Governor's committee on unem-

ployment, the League of Women Voters, the City Club of Chicago, and the National Council of Jewish Women, in addition to other groups, and such individuals as Father Maguire, Dr. John A. Lapp, Henry P. Chandler, Paul Douglas, and others.

They wish me to express their whole-hearted support of the principle of social-security legislation, if it provides security to the worker.

They feel strongly that the 3-percent pay-roll tax provided for in title VI of the social-security bill is entirely inadequate and does not provide security to the worker. The waiting period would be tragically long for those whose wage does not permit saving against unemployment, and that the length of the benefit period is too short to meet the basic principles upon which unemployment insurance should be based.

They urge the necessity of adding to the 3-percent pay-roll tax a Government subsidy of 2 percent, making a total of 5 percent, which would reduce the waiting period to a reasonable length and increase the benefit period.

They urge that standards of security be incorporated in the bill which would be required of States in their local legislation and insure the protection of the worker. Such standards should be based upon the provisions not less than the local standard of living calls for.

They feel that in section 608 there is danger that employers may build up an exemption from premium payment, which may defeat the purpose of the bill in that industry.

Knowing well the effect of even short-time unemployment on family life, when insecurity breeds distress and fear, which cuts the family off from normal community life, reduces food budgets to a danger point, deprives young people of their chance for education, and creates community hazards, the Illinois Committee on Social Security wishes to emphasize the fact that the pay-roll tax of 3 percent would necessitate the use of relief funds in many instances to tide over the waiting period, and to supplement the low-insurance rate and the short benefit period. The cost of this in money not only, but in the depreciation of human values and in security, will be a burden on the community and may defeat the purpose of the social-security legislation.

Speaking from personal experience of social work in an area of Chicago now in its sixth year of serious unemployment, I can testify to what adequate social insurance would have done in the early days of the depression, in keeping alive purchasing power in a neighborhood where it would have counted for much, in maintaining family stability and self-respect, in giving that social security which would have taken the edge off of fear which undermined the family life of the community in the tidal wave of unemployment that swept all before it.

Our Illinois committee hopes that the Senate committee will recognize these facts and will see that security is provided for the worker in whose interests such legislation should be drafted.

We have provided security for the funds by putting them in Federal hands, we have provided some security to industry by providing for the payment of taxes, for security of the worker, however, that is left to 48 States with no standard set up by which we may be sure that there may be some provision which will at least meet minimum

standards of living for the workers in those States. We do not regard social security as secure at all, but we do regard it as a necessary part of industry.

The CHAIRMAN. Mr. Williams.

STATEMENT OF ERNEST WELLS WILLIAMS, WASHINGTON, D. C.

The CHAIRMAN. How much time do you want?

Mr. WILLIAMS. Possibly 15 minutes.

Senator KING. Are you one of the witnesses that Mr. Emery referred to yesterday?

Mr. WILLIAMS. I could not say.

The CHAIRMAN. Be as brief as you can, Mr. Williams.

Mr. WILLIAMS. May I refer to these charts in my brief talk?

The CHAIRMAN. Yes.

Mr. WILLIAMS. Mr. Chairman, Senators of the committee, ladies and gentlemen.

I should, perhaps, briefly introduce myself, regardless of the limitation of time in this hearing. My name is Ernest Wells Williams, my address is 1228 I Street, Washington, and I appear in what I hope may be considered somewhat of a technical capacity. Although I have never publicly admitted to being an economist, political or otherwise, several discoveries which I am suspected to have made, affecting the views of an unknown number of people as to the relations between government, people, business, and capital, have led to my being accused of being some kind of an economist.

I may say, however, that what I myself, and some others also, consider the most vital of these discoveries, or rather the uncovering of certain economic principles, involve directly the most fundamental principles and purposes of this economic security bill, not only as to its taxation features, but elsewhere.

May I also say that the name of this bill indicates plainly its true nature and purpose. It should be the second chapter of the national recovery plan. There is admitted to be a desperately urgent need for a fundamental and great change in economic conditions. If a fundamental and important economic error, about the evil effects of which there could be no question, could be discovered and pointed out to this Congress, that error might be safely corrected, with the result that a safe, immediate and beneficial change would be possible.

May I now have the privilege of for the first time making public an economic error of just that sort—a basic error, which led, as such basic errors must always lead, to further errors and a host of evil economic consequences, all of vast magnitude? All the means for the correction of that error are in your hands—honest, lawful means for effecting this change; and this proposed change appears, further, to be exactly in accord with the fundamental principles and I might say “ideals” which the framers of the American Constitution and the founders of the American Government must have had in mind.

With the correction of this error, I believe a very great wrong to the American people, to the Congress, and to the American Government will have been righted. It is not required that this wrong be corrected in a vengeful manner, which it may deserve, but only permanently corrected.

How fundamental this error is may be best shown by the first drawing on page 1 of the folder I have handed you. There is an illustration of a group of people. Each of those units, let us say, is a family group, each family able to produce its needs, and build its own home, and defend itself from ordinary dangers.

It is natural that for additional protection, primarily, they should place themselves in communication with others, and a government which would make laws, and weigh their respective rights, and coordinate the means for their defense becomes a necessity, and that government is shown there in its natural position. This most democratic government is answerable to each of those people, yet its power, being the delegated power of the entire group, necessarily is greater than any one of that group.

The first responsibility of that government, after guaranteeing to the best of its ability the personal safety of each of the group, becomes the protection of their property rights. The land which they clear by their own efforts to produce food for themselves and their families—the house which one individual builds for himself—each one's claim to his lands and his home that government in justice may guarantee.

It is also plain that one of this group might build a better home, or clear more land, or clear it better, than his neighbor; and it is in accordance with American principles of justice that even an unequal ownership of that character should be protected. It cannot be held that it was the original intention that all the people in the United States should, regardless of their industry, or their thrift, or their enterprise, remain at a common level. By other principles of government than those, thrift and industry and enterprise would have been penalized, and laziness and self-indulgence and extravagance would have been unduly furthered, and that was not in accord with the strict training and precepts of the founders of the American Government.

It was natural, then, that some would, therefore, have too little, and some would be possessed of sufficient for their needs; but, gentlemen, that did not change the picture. The status of government does not change in protecting that type of property rights, and there is a general agreement by people in the justice of that type of difference in possession even though it involves a condition of inequality.

The protection of such unequal ownership might have seemed unjust in individual instances; but the American Government has always stood firm in the protection of the rights of ownership. The justice of this has not been questioned by the vast majority of the American people.

It was natural, in the course of time, that one should obtain more than his fellows—create by his own industry and thrift more than he used; something for him to save and lay aside for a rainy day. It was only in that manner that he was able to create an assurance of continued plenty and comfort for himself and his family. Such industry and thrift was in every way commendable—and no fair-minded American, either then or now, would question the property right, the justice of the ownership of the surplus so created; yet at that moment a new element entered, which has not heretofore been considered, if it has, in fact, been recognized.

The picture changed to illustration no. 2. Very suddenly there had appeared a fundamental change in the relationship of government, people, and property, and it happened very naturally, and it was not recognized.

Almost immediately it changed again, very naturally, as I have pictured in the third illustration. The surplus created had been rented, if it was an extra house, to another of the group who needed it as a home; and although possession changed, ownership did not change. The service of owning the surplus house and renting it to the one who needed it was the natural condition, and accepted without question as completely equitable; and the justice of the transaction was not questioned.

Ownership of a surplus which one does not use himself—for which he has no immediate need, has not been considered a major crime. It has been considered good fortune and a happy condition which all might well strive to attain. The centralization of wealth in a social group, of which, of course, the United States may be considered an example, has been considered more as an unfortunate condition than as an unjust condition. It has been recognized by some as socially undesirable. But with that centralization of wealth, unjust things seemed to occur which had not before occurred. It is now possible to picture it, in definite form, and clarify the causes of those unjust things occurring.

Picture no. 4 also has been considered to be a basic picture, quite important economically. It may be considered a picture of centralized ownership; where one individual, or one group, perhaps, has a surplus over immediate needs, or in excess of his own use, and the others of the group are receiving, and paying for, the benefit of the use of his possessions, either through the payment of rental on a definite property, or as interest on a mortgage or bond. It will be noted that the Government has also issued bonds, in order also to receive the benefit of the use of the wealth of one individual or group.

This picture, gentlemen, is not a picture of a possibility. It is a picture of what has happened and is the exact condition of today. It is in full accord with present constitutional interpretations of property rights, and until this time the full justice of those past interpretations has not been widely questioned. It seems, even from the picture, and even as we know the condition, that all the parties involved, the Government itself included, are receiving and doing full equity. Actually, however, both this condition and its illustration here contain the error of which I have spoken; and the picture itself is, in fact, final proof of how deep that dishonesty and inequity were and are hidden from view.

I would not exaggerate the importance of a condition before this committee; yet I believe I would not be blameless were I to fail to stress in the utmost degree the importance of this hidden shoal which is in this picture at present and cannot be seen. It is, in fact, the shoal upon which all modern democratic governments have run headlong; and each of those many "ships of state", gentlemen, is still quivering from the shock of that blow. The discovery of that condition creates a necessity, not only in the United States but elsewhere, for the action in similar instances which is universal—where a citizen, always before recognized as a fairly desirable citizen,

suddenly is discovered to be a very bad citizen. Regardless of his past acceptance as a desirable member of society, he suddenly finds himself confined in a very strong jail, regardless of his past reputation for good citizenship before his true character was discovered.

An error in this basic picture, gentlemen, and all the benefit of any good which might seem to be traceable to that error, would be overbalanced a hundred times by the multitude of minor benefits certain to spring out in most unlooked-for places. The presence of an error in this basic condition, long accepted, would inevitably result in a multitude of major evils; the correction of an error found here, so basic, would necessarily and without question immediately result in a terrific and immediate change for the better. There could be no question of the desirability and necessity of its immediate correction.

The CHAIRMAN. Have you your statement written out?

Mr. WILLIAMS. If I may read but 1 minute more, I shall then be finished.

The CHAIRMAN. Then you can put the rest in the record.

Mr. WILLIAMS. Thank you.

How well this inequity is hidden, gentlemen, at least must be apparent. Even imagining a war, in which this little group of people leave their homes—their rented and mortgaged homes—does not disclose any inequity. While these people are away from their homes, the accepted justice of the contract remains in full force and effect between all the parties; and therefore, when they return from that necessarily small war, they are in arrears in their interest and their rent.

They did not start the war, and neither did anyone of the group, nor the Government. It "just started itself"—as wars have a senseless habit of doing. Certainly it was no fault of the owner of the property or the holder of the mortgage; and why should he bear any damage, in full or in part, because of this enforced absence? The answer—the only answer—is that the back rent—the back interest—must be paid immediately, as called for in the bond. In this demand, and its enforcement, the Government would naturally concur. Property rights and the sanctity of the contract leave no other course open.

Yet, let us have another war, in which the little group is defeated, their government destroyed, all the property destroyed, and measure the losses. Surprisingly, then, it is apparent that the only possible loser is the owner of the property—the holder of the mortgage and the owner of the houses. There was the basic error; and this is the inequity, that suddenly it is apparent that this protective service which has been so freely given by the government, using its people for its defense, has been a very valuable, and terribly costly, service and protection; and further, that neither government nor people have been recompensed in any manner for the vast service rendered to this particular type of property ownership. This further inequity, also, that instead of paying for this service in its protection, ownership of this type has taken full advantage of its every opportunity to impoverish the government and people who have protected it; and the right to so impoverish these necessary protectors, has been held to be a definite property right.

The CHAIRMAN. Thank you very much, Mr. Williams. You can put the balance of your statement in the record.

Mr. WILLIAMS (continuing). Mr. Chairman, no form of ownership has or should have that right. The ownership of the home, the farm which is a man's source of livelihood, the necessities and even luxuries which people use have not that right; and it is not a property right and must not longer be considered a property right. It is not now, and never has been, a property right. It has been a property-ownership opportunity, and that opportunity must be removed, definitely and immediately, by this Congress. The conditions of equity in ownership must be weighed now on new scales, or else the social-security or economic-security bill will not be worth the paper upon which it is written, because there can be no economic or social security while that condition exists.

Such a change, such a fair and equitable change, may well be welcomed by rich and poor, by the business man and each of his patrons, by the professional man and each of his clients.

By this change ownership is at once made safe and desirable. The ownership of stocks, bonds, or any other kind of type of property, whether centralized or wide-spread, as a definite and desirable form of permanent savings, for the first time in history becomes a type of permanent wealth. In all past history their possession, due to their fluctuations and frequent entire loss value, and the frequent entrance of depressions and financial cataclysms into the picture, has made the possession of any and all types of wealth almost a momentary condition in many instances; followed by the complete loss of that wealth and also in most cases by his reputation among his fellows and by the loss of his own respect also.

The possession of wealth under such new conditions, safely exempted from taxation in the form of stocks and bonds, may be considered a very happy state, only slightly differing from the present condition of receiving an income to be immediately taken away in taxes and in capital losses; but with a very great addition in the element of safety to that wealth and savings.

It is plain that people not possessed of this type of ownership, "capital" ownership, are nevertheless self-protective—can defend themselves, build their own homes—and joined under a strong government, can and do protect additional property; yet this property ownership to which both Government and people have in the past been paying terrific tribute, it is now apparent, cannot and dare not leave that protection heretofore freely given by people and Government, because it cannot defend itself. It must depend upon the people of the organized group and their government for that protection.

The newly uncovered inequity of that simple picture immediately led, then, to a simple but important and plain conclusion—that capital is not necessary to people, but people are necessary to capital. It may be plainly said, it has become plain, that governments and people have gone very far along a very ridiculous path, because the simple truth of that fact has not been recognized. Only for the record I point out at this time that there is, necessarily, a physical limit to the protective ability of this or any other group; yet there is no apparent limit to the quantity or value of the property which might come to be a part of this "surplus" square.

I turn from this for a minute, while I place this group in a position of first directly producing their own living and then trading some or all of their production, and I will thereby attempt to clarify another condition and indicate the extent to which this long-accepted inequity affects other conditions.

The first picture on page 2 is of a primary group, without trade, self-supporting on their own farms, building their own homes. That this is a possible condition is the knowledge of each one here, and no arguments will overturn it. It is an interesting and, may I say, a very brave part of the history of this country. As individual Americans they defended themselves; as a group they were able and did defend each other, and at the same time they were able to produce a livelihood for themselves and for their families.

I need not explain the next picture, no. 2, of trade and barter starting between these people, when they were fairly close together; and I do not attempt, particularly, to justify the third picture. It is of a completely productive group, their needs coordinated with their production, and trading through this "trading post" in the center. That "general store", which all you gentlemen doubtless remember so well, perhaps was once the complete business machine of some little group of which you were a member. Cut off, to a great extent, from outside sources, I may point out that all the elements of "industrial control" and all the elements of the control of trade and commerce of the N. R. A. are in fact completely exercised by this small group upon this "general store" which was, in effect, the entire business machine—even the "banking system!" That is picture no. 3.

The next picture, no. 4, is of an individual trade passing through that "trading post" or "general store." The trade must "pass through" that trading post in exactly that fashion; and it must also pass through the subdivided business machine, shown in picture no. 5, which is today returned, rather suddenly, to the same salutary public control, through government, as was effective in picture no. 3.

Picture no. 5 may be said to be a picture of the N. R. A. and industrial control.

In connection with the taxation features of the economic security bill, I invite your special attention to this picture no. 5. It is easy to see, there, that any tax upon industry, upon the business machine, immediately tends to stop trade from passing through. Each addition to costs in that exchange machine, whether by taxation, interest charges, inefficiency of any functional part, or "speculative profit" adds to the difficulty of "business" accomplishing its natural and necessary function, of engineering the exchange of production.

The "deduction-from-pay rolls" tax feature, in addition, appears to be a direct attack upon an already wrecked market, the wage and salary class, even though they are employed. It is a market normally composed of people who are producing wealth or rendering essential service, who normally should be a buying market. That market has been destroyed by a condition which I illustrate in the next picture. Its further destruction by taxation, or any other means, is impossible at this time. It is already completely destroyed, and must be rebuilt.

It is for these reasons that the taxation features of the present bill appear to me to be unfortunate, to say the least.

The first picture on page 3 is a picture of today under the present accepted conditions and terms of centralized ownership; a picture of a constant and heretofore accepted accumulation by "capital" of the reward of production. It is also a picture of destroyed markets, of impoverished and bankrupted business, the wreckage largely owned or controlled by the banking system.

It is a picture, also, of a desperate and angered people, and of a government endeavoring to keep starvation away from an army of unemployed, and at the same time facing reduced income and the necessity of frenzied financing; all the people, all business, desperately endeavoring to sell at a high price and buy at a low price, to pay the charges which have heretofore been believed to be equitable and just charges, of "capital."

The producing people have nothing or little left of their production to trade. If they have it to trade, their market has been destroyed—and the "costs" of the exchange machine, the business machine, largely "capital charges" and "financing", tend to make trade impossible.

I can assure you, gentlemen, that this is a temporary picture. It changes very suddenly, also, when it changes. It flies all to pieces. You may accept this picture as a true picture, and accept that as a true statement, or you may accept the statement of the United States Chamber of Commerce, and the beliefs of many trustful and optimistic people, that business is on the upgrade, and prosperity is now really around the corner, and that all we have to do is wait.

By the uncovering of the new principles of equity, which are now made available, this picture can be changed immediately by the Congress to this picture, no. 2, on page 3. That possibility, I hope you will agree, is rather fortunate. It is a picture of national solvency and safety, while the picture above is a picture of national insolvency and danger. The picture below is one that will not suddenly explode.

I would say, as among the reasons that it will not explode, that it is a picture by which men are able to obtain wages and salaries which they have never believed possible, and support their wives and children, and buy homes, by work, by producing wealth, or by performing their functions honestly and efficiently in the business machine and by enterprise.

In this picture I see no necessity for mothers and daughters and sisters to work all day in the factory to aid in the support of the family. The children seem to have shoes, and people own their own homes.

I do not apologize for this second picture. It is honest and it is respectable, and it will not explode. The other picture, gentlemen, I say is ridiculous. It is dishonest. It is liable to explode at any minute.

I turn back to the first type of picture, on page 3, however, because it is easier to give a new understanding of these principles by the use of these illustrations.

You gentlemen, I know, will be the first to agree that government, to be safe and permanent, must represent the desires of its people. People do not desire to be robbed of their possessions,

nor shot at indiscriminately while they are in the peaceful performance of their duties and pleasures. Therefore there are laws against robbery, and indiscriminately attacking one's neighbors, and those are basically correct laws.

The protection of ownership and property rights is of this basic nature, and the uncovering of any new principles concerning the natural relationship of people to ownership is of immense importance. For the first time, now, we can see that there is good ownership and bad ownership—it is no longer simply ownership.

Two, or twenty, or a million individuals, without property, wisely join forces for mutual protection against the possibility of a common enemy. And that, I point out again, is the primary reason for people combining into groups, to be able to protect themselves against forces which would destroy them, individually. It is not primarily for business, religious, nor political reasons. It is primarily that one of mutual defense. It is not for the protection of property, but for the protection of life. It is apparent that this protective service stood out more clearly in the condition of frequent and more or less public backwoods skirmishes, as when this Nation was founded, than where and when wars occur only once or twice in a generation—but the condition actually is the same.

A law that said that each man must do his part in such a battle, and that each must join in, for the safety of the group, would be an acceptable and just law. Any two, for example, as I show in the first picture on page 4, would accept that law as advantageous to both.

If they both had property, it would be acceptable; and in the second picture, they are not only willing to protect each other's property, but they will accept taxation for their mutual benefit.

The relation becomes slightly more complicated in the third picture. The first man has no surplus, and yet is not in debt. The second man is in debt, and the third has a surplus.

With the old equity now overturned, the necessity is—just what portion is each naturally willing to protect—and the functions and taxation needs of government enter the picture as an important element.

No. 3, of course, is willing and anxious to have all ownership protected indiscriminately. But what is no. 2 willing to protect, and what may he be justly called upon to protect, in this new equity? And what is no. 1 willing to protect?

At this point, gentlemen, without burdening you with the details leading up to just how any basic principles were uncovered, I will say this about the entire group. They are all willing to protect the things the other owns and uses. It happens that is not only a very scientific common denominator, but it is, to use a common term, second nature, to a degree which is amazing.

There are apparently no exceptions to this rule. It is a very democratic principle, in its workings. A man will rush from his 1-room home to aid in extinguishing the fire in his neighbor's 10-room home; and the neighbor will rush back with the same enthusiasm and aid in the extinguishing of the fire in the 1-room home. But, if either of them owns, but does not use, one other house, or 10 other houses, that relationship does not enter as to the extra house, or houses. It is not a matter of personal acquaintance, or knowing

the same people, or for any other really sensible reason. It is more or less like the hen taking care of her own chickens.

It is, in fact, simply a natural acceptance of the mutuality of interest by a member of a group of people. The things that a person owns and uses are definitely within this circle of mutuality of protection; and the things that a person owns and does not use are just as definitely outside this circle of mutuality.

Even stranger than this is the natural extension of this principle into business. The business, the property, the real estate and equipment used in "honestly exchanging"—rendering acceptable service, and actually acknowledging its responsibility to the people it is supposed to serve, performing its business function, is automatically included by people in this natural mutuality. The business being run entirely "for what there is in it for me" type, by its owner, is outside that circle of mutuality. Even whether or not a person is employed there himself does not affect that relation.

There is another class of property that by its very nature must be outside this circle of mutuality. The vacant land, whoever owns it, is always outside. The mortgage, the stock, the note, are outside. But the home, the private automobile, or even two automobiles, and even what may be called luxuries, if used, are inside that circle.

The home of a man's worst enemy is inside the circle of his protection—and the mortgage on that home, even though that mortgage may be owned by his best friend, is outside that protective circle.

The uncovering of these definite principles makes somewhat simpler this matter of social security. People are not only naturally willing to protect each other, but they naturally assume the responsibility of protecting the ownership of the things in use; and as definitely refuse free protection to the ownership of things not used.

This large square, then, is composed of things owned but not used by the owner; in that square is the "business run for what there is in it for me" type, and "X" is not only the individual himself, but the things he owns and uses, and "X" is also the business with a satisfactory code—a public utility type of business, performing its functions as directed under public supervision.

This mutuality distinction is as distinct as if cut with the sharpest knife ever made.

The protective service necessarily furnished by Government and the group, therefore, automatically makes this "surplus property" class the natural source of taxation, hardly taxation, but instead, just compensation for service rendered.

Returning now to the third illustration on page 4, it is plain that the "service rendered charge" could be made directly by Government: the amount of this charge may be justly guided by the interest rate which has long been accepted as the essence of justice. But this would tend to prevent people from accumulating a competence from their greater industry and enterprise, and it seems desirable, in justice, to remove this protection charge, this tax, if the property outside this mutuality circle were placed inside it.

If the house, which was outside the mutuality line, becomes a home, inside it, perhaps this would be a welcome escape, and a just escape, from this protection taxation charge.

We must consider also the first individual, with ownership of his property, all inside the circle. The Government, to which he had been contributing before, had suddenly found a better and more equitable source of taxation—and now Mr. X-2 had removed the possibility of he himself directly benefiting. Apparently X-2 had received more than his share of this “new deal.” Why should X-2 not be considered as a proper contributor, in some degree? He had been paying 6 percent and probably more, in interest. X-1 was not demanding much, but that was not equity to him.

X-2 suddenly found himself paying 2 percent to the Government on the face of his mortgage; but his taxation and interest problems were ended with that. Most certainly, also, he is receiving a definite service for his 2 percent. And X-1 is satisfied. Apparently X-1 is receiving tax exemption for his protective service, X-2 is paying for the protective service of the group, of which he is now one of the chief beneficiaries; and X-3 is tax exempt on as much of his owned surplus as he wants to be, tax exempt on his owned and used property, and paying a small protection charge for the balance. Business seemed better exempted from this 2 percent which applied to Mr. X-2.

These principles, leading to new and honest relations between these three, transferred even the present ruinous conditions shown in the first picture, on page 3 create the second picture so suddenly, with so little economic disturbance, that it seems impossible. The Government of the second picture can pay its old-age pensions from its Treasury; and the unemployment problem is gone—until people are living in homes instead of rooms.

The idea of the United States Government, even in the difficulties so clearly apparent, paying a few of its people for the privilege of keeping their property for them in the safest place in the world, is ridiculous.

Interest has been outlawed, by name and with full intent, at many periods in many countries. This fact is more generally known than advertised. That it has not been considered a vital factor in the creation of a depression is due to its effects being hidden. It slowly destroys markets, slowly increases taxation, slowly brings government under its power; slowly takes the reward of their production away from people; and during all these exploits, it has every appearance of being perfectly equitable in every way.

Its thoroughness is nothing less than amazing.

In every way it is deceptive. An interest rate of 25 percent per year, when people own their own homes and farms, business property is owned by business men, and there is no national, State, or city debts—all these are conditions in a new country—that 25 percent interest rate has no economic effect, because no one pays it.

On the other hand, combine a centralization of ownership and a 6 percent interest rate, and the situation becomes ruinous, and people and business and Government itself find themselves paying a large share of their income to the ownership of their homes and farms and businesses.

The differential between wages and prices increases. The Government finds itself burdened with embarrassing obligations to private capital. People try to “save” and pay their debts and in the process disappear as markets for the other people’s production—

business wonders where the business, the trade, went—and unemployment is suddenly a national problem.

Heretofore, Government, intent on the protection of all the respective rights, has fully cooperated in the process by sending its own sheriff to eject people from their homes and farms, and selling out those businesses at auction, and then presenting the homes or the farms, or the businesses, or the proceeds of their sale, to the holder of the mortgage; while at the same time voicing regret at the centralization of ownership.

This has been accepted as necessary in the continuation of Government under the Constitution, to protect the right of the person to own his own home, and his own farm, to protect the sanctity of the contract; and the advantages of such ownership are many. As a result of the uncovering of these new principles of equity, private ownership may now be definitely separated from its evil conditions.

The only change in the financial machine as it affects the average person is that he will not receive 2, 1½, or 3 percent interest on bank deposits. The receipt of interest from savings, advertised to be of such terrific aid to the workingman while he was accumulating his theoretical and mythical fortune, has been about the most expensive luxury that workingman has ever had. As a red herring, to make interest respectable and to make inequity appear to be equity, it has been a stupendous success. Money, unfortunately or fortunately, falls into the "outside mutuality" class, and the banker's functions become sufficiently changed and simplified to become vastly more understandable. The storing and keeping of money safely is a service that should be charged for and paid for. A banking system, in any economic pattern, which pays the depositor for that privilege has something about it decidedly too strange and unusual, certainly. A banking system should be the last thing in the world to harbor any strange, unusual, and speculative conditions so close to the savings of people.

The bank of a social system, as you gentlemen know, is actually all the combined savings of people, under whoever's ownership. There is actually no more economic justification or respectability for that bank, the possession of that property, demanding as its just due the reward of industry or enterprise or production, than for a banker in a poker game to do the same thing. As a poker player, the American citizen would object strenuously. In the much more important economic structure and process the relation of the banker is exactly the same and his responsibility and functions are the same. I am quite sure that this committee is much less impressed with the respectability of such a situation than the average citizen, who may have been a little too liable to be impressed by nonessentials.

I do not wish the committee to class me as a radical or to believe that I have made any radical proposals. The committee knows far better than the general population the urgent necessity for an immense and an immediate change for the better. I only show the committee another picture: First, of a complete, though small, social system, with interest at 6 percent, but with people owners of their own homes, and Government without a national debt, and business houses owned by the business men, as the first picture; and as the second picture the same social system, impoverished and desperate because of the steady drain into the possession of centralized owner-

ship due to this same interest rate, giving this ownership the heretofore unquestioned right to take from this social system without the obligation to add to it.

Perhaps this last picture will show that definite action is immediately necessary to protect the rights of people against the type of ownership which, while Congress and people have protected it, and it has accepted and demanded that protection, yet has believed itself justified in taking their homes and in effect reducing a whole people to a disgraceful condition of poverty and genuine servitude.

These principles, these new and honest relations between the four parties in interest shown on page 4, the third picture, transferred even to the present ruinous conditions which I have exactly and honestly shown on page 3, the first picture, create the second picture shown on page 3, with so little economic disturbance and so little delay that it must be impressive. The committee, I believe, should be convinced that to a great degree we came into this long period of depression by this same road; in this case we simply go out the way we came in; a perfectly logical and sane process.

It is a simple tax, 5 percent per year on the surplus of property not in use by the individual; and even that tax easy of complete escape, so that the tax is actually absent. It is, I believe, a just tax. Moreover, I believe it will be found that it is something new and never experienced—a rather popular tax.

Even the benefit received by ownership which is at present receiving interest is substantial. A vast number of people become a great deal more willing to allow its retention, where before they have been seriously considering taking it away, quite unceremoniously. That is no secret.

A 2-percent tax on the face value of indebtedness—that individual, however, has suddenly been relieved of his interest burden—a third of that paid in tax could not be held to be a bad bargain.

Business, which has been and is now under a constant pressure to pay notes, and pay exorbitant taxes, and has been wondering how it would pay interest on bonds and bank loans, and high rents, is suddenly relieved of that pressure, and with the disappearance of its burdens, suddenly appear new markets which before had been absent—destroyed.

Suddenly the city and State, burdened with indebtedness on which it cannot pay the interest, is stripped of that interest charge and the relief rolls disappear as if by magic.

The Government itself, faced with terrific emergency expenditures, suddenly finds the condition reversed, and its income exceeds the outgo.

People who have been existing—whole families in one room—suddenly find that at last they are able to buy a home and only pay for it once—before they had to pay for it two or three times before they received it—and an unemployed army goes back to work.

Mr. Chairman, I am not an optimist, nor a radical. Many people have said that we are now on our way out of our present difficulties. I say, emphatically, no, to that.

But basic errors of this nature are not uncovered every day, or every century. I do not believe, therefore, that I can yet fairly be held to be too optimistic.

I do not for an instant believe this to be a final step. On the other hand, it is not an expensive temporary expedient, based on a dim hope that when and if conditions improve, our grandchildren will be able some day to pay the bills.

It should be accepted, I believe, as a safely beneficial and necessary step; and it is an honest step, and in full accord with the spirit of the Constitution of the United States and with the letter of the Constitution, also.

Possession of property of whatever type should not take the reward of production and enterprise. Economically, it is impossible. It did not take it when this Government was organized; and it should not take it now. That condition was a good condition, and it was an honest condition. Any other condition is a bad condition, and it is a dishonest condition.

It has been said that the N. R. A. was a long step forward, and somewhat radical. I have spoken of the N. R. A. today as a sound step backward, to much more solid ground. This step which I have outlined is the same type of step, in the same direction as the N. R. A., and to much more solid ground than is under us at present.

Further, gentlemen, the business structure, which the N. R. A. has been struggling so determinedly to haul out of its difficulties, now needs a market for its products and services, and it must have that market. This, may I say, is the soundest and most honest way to create that market.

It is only one of the many benefits to come from this new conception of property rights, and, if I may say so, the new understanding of the rights that people have.

I would like to ask you one question, Mr. Chairman.

The CHAIRMAN. Yes?

Mr. WILLIAMS. Would it be possible to have those illustrations included also in the record?

The CHAIRMAN. This cannot be in the record.

Mr. WILLIAMS. They are all ready for duplication by the machine.

The CHAIRMAN. We will see about that. The clerk will have to make an investigation as to whether or not it would delay the printing.

Mr. WILLIAMS. It would not delay the printing of the record at all.

The CHAIRMAN. The clerk will investigate that.

The next witness is Joseph P. B. Weir, of Washington, D. C. How much time do you want, Mr. Weir?

Mr. WEIR. About 15 minutes.

The CHAIRMAN. We cannot give you 15 minutes; we will give you 10 minutes; but I may say that if you will just take your statement and put it in the record it will be considered. Just give us the high points in your criticism, your praise, or your suggestion.

STATEMENT OF JOSEPH P. B. WEIR, WASHINGTON, D. C.

Mr. WEIR. Gentlemen of the committee, let us take the problem of old-age pensions and try to ascertain the best and least expensive form of helping all citizens in all States.

In the first place the Congress should not make appropriations to this end, neither should the several States make contributions to

assist this cause, only upon one single extent, that be by contributing $1\frac{1}{2}$ percent of all inheritance taxes collected by them. Any other form of assistance by either is only an added tax on our citizens. However, the Federal Government should handle all funds, regardless to the source of such; in this we secure such funds to a greater extent than in any other manner.

It is an acknowledged fact that old-age pensions is a means through which citizens may be assured by our Nation a privilege not now recognized; it will cause a greater confidence, a lesser burden on the younger generation, and a help to industry that would take many pages to detail in full.

Due to the fact that industry does refuse to hire men past 40 years of age, plus the surrounding conditions, physically and otherwise, that the age of 60 years is the most logical age to be given consideration.

Senator KING. Between 40 and 60?

Mr. WEIR. Sixty years should be the age requirements.

States should be represented, and have equal voice in any such system that may be considered by this Nation. Which should be national in scope.

This method of treating, and the simplicity therein contained would save us from many ills, and grief that we are assured will grow out of the provisions in the proposed act. Such will create confidence; treat all equal; tender States their right to assist, and avoid a possible revolution when once the true lines become familiar to our citizens.

It is well, should the Government care to offer old-age annuities to those who care to, or may take advantage of such but it is a proven fact that a voluntary system alone is not sufficient, and is more costly in the end if that be the only method of assurance.

There is much talk by citizens who have never had the opportunity to experience conditions surrounding them, due to the fact that they have been in the more fortunate group, therefore do not honestly realize the difficulty many citizens experience in caring for a large family on the wages paid the greater portion of our citizens. But in our almshouse today we have many persons who one day were well fixed, so to speak, financially; the unexpected reverse causes them to seek shelter in almshouses, and they have our sympathy, and that's all. Therefore, it is for that reason I make the statement that all citizens should come under the head of whatever system we consider.

The Economic Security Act creates for our country a policy, or plan, that has never been attempted by any other country, in that it attempts to cover too many cares at one time—old-age pensions, old-age annuities, unemployment insurance, maternal, and child health. A step that no other country, as yet, has attempted all at one time.

Senator KING. You would favor dividing this bill then, and if we pass any feature of it, to pass the old-age pension.

Mr. WEIR. That would be preferable; yes, sir.

Senator KING. Try that experiment and then at the next session—

Mr. WEIR (interposing). Not the one that is mentioned in the economic security bill, for the simple reason that it does not assist all citizens.

Senator KING. Very well; proceed.

Mr. WEIR. Other countries have had years of experience in this field, and it will be noted that they have only reached such extended cares by adding to, and by amending yearly, their original acts, and in some instances have made an entire change in, as many as three times to reach their goal, and at that it is known that no system is as yet complete.

Years of experience have we in the care of our aged dependents, and no credit is due anyone for the fashion in which such has been done, in the form of almshouses, poorhouses, and pauper farms, the cost of which has run, as per our own records, from \$1,374 per year for the care of one pauper down to \$36 per month. However, Wisconsin claims as an only State to have lowered its almshouse cost in 1933 to \$21.70 per month. The average cost of almshouse care is about \$40 per month throughout the States.

I here quote the words of our past Secretary of Labor.

Senator KING. Mr. Davis?

Mr. WEIR. Mr. Davis. He states:

On the whole, however, the entire management and control of pauper institutions is vested in local bodies, and State authorities and the public at large know practically nothing about them. How serious this responsibility is taken by the county officials to whom it is intrusted, what degree of care it insures the inmates and the cost to the communities, depend wholly on the interest and enlightenment of these elected officials and the public they represent. In consequence the story of American almshouses is a story of haphazard conditions, covering every degree of efficiency and economy, and of waste, extravagance, and mismanagement, of sympathetic treatment and honest effort to make an almshouse a home, and of neglect, indifference, and downright inhumanity.

It is possible for me to continue in this way by defining every detail of almshouse care, but I do feel that those of us who are familiar with such study need not be told of such; therefore it is my plea that we do take some steps to rid ourselves of this condition, and that by making possible old-age pensions permit those who are able to continue to live in their own homes in the same sphere in which they are accustomed to and at the same time be of some assistance to the younger generation. Here we all know almshouse care is not desirable. Now, as for the States' pension acts: They, too, are not a best plan or system, and by no means should we accept any measure as the Economic Security Act proposes in that it forces the States to accept a system that is acknowledged as a broken-down system.

We note that the State of Nevada enacted their pension laws in 1925. That is enough years to, by now, know the goodness or the ills contained in any act.

The State of Kentucky enacted their pension laws in 1926. That too is enough years of experience to know how their citizens accept such an act.

West Virginia enacted their pension laws in 1931, and that was not last year. Now, the last three mentioned States, with all the years they have had their pension acts on the books of their respective States, are not paying pensions. What good is an act on the books of any State, if their citizens do not benefit by such an act? Again my reason for making mention of these three States is that, in all press items, and in all radio speeches we hear the same mentioned, there are 28 States with a pension act on their books. These

3 States are in that so-called "28 States." Are they examples we should follow?

Maryland enacted their pension laws in 1927. There is a population of over 1,631,526 in 24 counties and in 1932 this State paid just 143 pensions to their citizens, and in 1933 they paid 141 pensions. Is this an example for us to accept as a proper plan to follow? There must be something wrong that in all these years one county alone recognizes such an act. Does it not seem possible that if such an act was acceptable or wonderful that the other 23 counties would not have found it out by now, and recognized this act too?

Wisconsin enacted their pension laws in 1925, and with 71 counties in this State there are only 7 counties that will recognize such an act.

Senator BARKLEY. Are these laws optional with the counties?

Mr. WEIR. They are optional, that is exactly what I say; yes, sir.

Senator BARKLEY. This bill does not provide for county option?

Mr. WEIR. No; but it forces a condition on the States.

Senator CONNALLY. That is what you want to do, isn't it?

Mr. WEIR. But the condition we are forcing does not cover it, and the reason these counties do not accept this condition is that it is too expensive in that way as they have to have it and there are not great enough number assisted by these acts.

Senator CONNALLY. The more that are assisted, the more expensive it would be. On the one hand you say it is not adopted by the States because it is too expensive, and, on the other hand, you say it is too expensive to be adopted by the States.

Mr. WEIR. Do not twist me around.

Senator CONNALLY. I am not trying to twist you around; I am trying to untwist you.

Mr. WEIR. The most of these counties are forced to pay two-thirds and the State one-third. In some cases the counties saddle the entire cost, but the citizens have not recognized this for the simple reason it has not been official to a large enough group.

Senator CONNALLY. What is your plan now? I would rather hear what you propose.

Mr. WEIR. It is my intention to leave this proposed bill with you, Mr. Chairman, also my objections to the present social security bill, no. 1130.

The CHAIRMAN. Yes. You have made some very constructive suggestions.

Mr. WEIR. I have some of Miss Perkins' remarks.

Senator KING. We have heard Miss Perkins.

Mr. WEIR. Yes; but you have not heard her in the way I have.

The CHAIRMAN. Put those in the record and elaborate on anything that you desire.

Mr. WEIR. That is what I want to put forth there. Now comes this matter of cost. New York is our State which has the greatest population of beneficiaries. In 1932 New York expended \$15,550,000 on pension payments. At the same time it expended \$11,918,300 on alms upkeep for that same period. It costs New York in this year, 1932, \$23.80 to pay each pension. What I am getting at is that these pensions that we are trying to force on the States, to prove that the greater number of pensions paid the more it costs to pay them, which

is directly opposite to any business rule. Where mass production is afforded, there should be less cost per unit.

The CHAIRMAN. You have had 15 minutes. Thank you very much, and put it in the record, and the committee is going to study this record before anything is done.

Mr. WEIR. I certainly trust that they do.

The CHAIRMAN. They will. We have a pretty hard tangle here to untangle before we get through—to compose all of the differences that have expressed here.

Mr. WEIR (continued). My findings are that there is not a large enough number of citizens benefited by these acts to cause enough interest. This is due to the clauses necessary for individual States to include as a protection to States' money and in the words makes ineligible many honest, deserving, aged citizens. This includes all States. On the whole, States' acts are not what they were at first thought to be. Therefore, our experience has taught us a lesson. Let us be guided by such.

To support my contention that States' pension systems are broken down, let me at this time quote a publication on December 28, 1934.

Miss Perkins strongly endorses a plan which would provide Federal subsidies to States passing legislation guaranteeing an annual noncontributory pension for needy persons 60 or 65 years old. Such a program she feels is necessary because that the old-age system now in effect in 28 States has broken down.

I am in full accord with our Secretary of Labor in her feeling in this matter, and I greatly appreciate the truthful admission of one I know, does know, of this condition.

This again causes me to repeat that the economic security act does plan to force our States to accept a system that is known to be a broken-down system and not a best step to follow.

Here is another angle of this system.

The State of New York expended in the form of pension payments in 1932 the sum of \$15,454,308, and in the same period they expended on alms upkeep the sum of \$11,910,416. In this same year it cost New York \$23.80 to pay their pensions, or a total of \$1,289,603. A total expenditure in this year of the sum of \$28,654,327 to such care.

The State of Massachusetts expended in the form of pension payments in the same period, the sum of \$4,249,614 and on alms upkeep the sum of \$10,903,115.38.

Now here is a condition that is directly opposite to any business rule. It is known that where mass production is afforded, the less cost per unit, but with pension payments such is reversed, in other words, New York paid pensions to 54,185 dependents and it cost \$23.80 to pay. California paid 12,508 pensions and it cost \$22.08 to pay these pensions. New Jersey paid 7,000 pensions and it cost \$15.14 to pay these pensions. Utah paid 1,225 pensions and it cost \$8.03 to pay their pensions. In true words where the greater number of pensions are paid, the greater cost per pension to pay, and where the less in number to pay the less cost to pay.

This is the condition: Where the greater number of pensions paid, it affords an opportunity to slide in a greater number of political favors—paid persons—that will not be noticed, but where the less number pensions are paid it is not possible to exercise this favor

without notice. Therefore this is an unnecessary cost and not an efficient method.

In this I feel that it does to some extent assist in the estimation and weight placed on the proposed measure to force States to accept such a system with this information before us; however, if such be requested I am in a position through study to give many more examples as to why we should avoid this step.

The economic security act does not provide means whereby all States may voice their difference, or explain reasons, arbitrate. They must accept the word of the administrator as final, one who is not elected but appointed.

It will create a political machine of high-salaried administrative officers. The entire system is without a standard. Old-age pensions should not be designed for loafers or wasters; every application must furnish proof of his character and his right; and all citizens should have this right. Taxpayer's money should not be wasted, as he is helping a worthy cause.

As per provisions, the Federal Government is within this act if it pay but \$1 a month to aged citizens in States recognized or less due to the omission of a minimum figure; section 6, article C, and section 7, page 8.

It does not state that the Federal Government shall pay one-half of States' expenditures for this purpose, nor does it state that the Federal Government will pay \$15 a month to each assisted citizen in the recognized States. That is the maximum; and as per section 6, article C, the States' allotments may be diminished to that percentage which the appropriation bears to the sum of all allotments; \$125,000,000 is the sum after the first year.

That States' moneys who may not be in a position to accept these terms will be extended or used to benefit other States, and it will not benefit in any way by its own money paid to assist its government.

Any citizens who may by chance reside in a State which does not recognize this act will not be regarded as a citizen but as one not worthy of assistance in time of need, and he himself is not responsible for the act of that State's officials. This is not equal benefit, and I have every reason to feel and state that such may breed discontent and other conditions I fear to make mention of. I trust that it be understood.

It is known that the year of 1940 will naturally be the expiration of term of office for the present administration, should it be returned in 1936. This act is so arranged that nothing is to truly start until 1940. The tax increase begins, the age requirement will be dropped in that year, due to the fact that 70 years of age will be permitted to continue in the States' acts until 1940, and then it will be lowered to 65 years. We have 14 States with the age requirement of 70 years: Arizona, California, Indiana, Massachusetts, New York, New Jersey, Oregon, Pennsylvania, Montana, and Wisconsin, with North Dakota, 65 years required. All these States may continue their present age limits until 1940. These are the principal States on a pension system. I foresee a condition forced on the next party, whoever it may be, due to this fact. It will make eligible millions more to pensions.

The earnings tax starts in 1937 at one-half of 1 percent, and in 1942 it soars to 1 percent. That will be in the next administration, and keeps on going up.

Again I make mention of the administrator of the old-age pension, title 1 of this act. What assurance for the future have we that this will be to the best interest of the people? The next party may change to a person who is not truly in harmony with this system, and in this way will have power to upset the entire system and force a complete change in all States' previously selected heads. As I have stated, this act is without a standard whereby all States may be assured or guided to some extent.

With greater than one-half of our States refusing to accept the lines in this act, cannot we place in our minds a picture of the success of this act?

I do trust that conditions as set forth in this act be realized, and that we do not attempt to force such a burden on ourselves as a Nation as do these outlined in this act suggest.

Whatever system we consider, let us give weight of that cost to our Government and to what extent and how all citizens assist this cause and the number of citizens benefited by such, and to what extent.

All elements of society should assist a cause so broad as this and as the words of the American Association for Social Security but they do not define—such should by no means be made to exist only by the support, as in all such mentions when such is brought to our attention, be assisted only by those who are less able to aid such systems, and to permit those who are more able financially to be not mentioned in the lines due to the fact that they too benefit greatly in a way other than benefits paid.

It is necessary to understand all systems—foreign as well as domestic—so as not to miss any section of them that may offer us possible assistance.

In viewing the Civil Service Retirement Act of 1920 up to 1929 this system was unassisted by our Government, and from 1929 to 1933, June 30, our Government contributed the sum of \$103,450,000 to assist this fund and created an annual appropriation of \$21,000,000. In this present session, Congress added to this fund \$20,000,000; in other words it increased its assistance 90 percent, thus now making an annual appropriation of \$41,000,000. In 1932 there were 25,567 annuities on the roll and in 1933 the roll was increased by 7,268, making a total of 32,835 annuities on the roll. In 1934, June, this roll was again increased by 11,875, making a total of 44,710 annuities on the roll.

With the sum of \$21,000,000 allotted to this fund, and 44,710 annuities, this is at the rate of \$39.14 per month our Government is assisting to pay those retired and otherwise relieved from service, besides the 3½ percent paid by Federal employees. And with the new sum, \$41,000,000, allotted, it is at the rate of \$79.41 per month our Government assists to pay those on the rolls, exclusive of the 3½ percent paid by Federal employees.

In other words, citizens outside the civil-service employment are forced to assist this fund in the form of taxes and in no way have any right to claim benefits therefrom. Do we consider the conditions upon which these pensions are paid? Regardless to property hold-

ings or financial standing of those receiving or eligible to such pensions, we pay same, and no mention is made of such. There are persons in Washington, D. C., who own 2 and 3 houses, getting revenue from such, and at the same time citizens who have no claim to such benefits are made by law to pay these pensions.

This is only a fair view of this system; and it is my contention that a similar system can be extended throughout this Nation, and that the sums now contributed to this cause be diminished, and that all citizens do assist in a different manner, which, in turn, will relieve all States of their now burden and overtaxed condition that does exist. In this way we will be extending such rights to all citizens and not only a few who may by chance come under its head. I have a complete plan that I have concluded only after 7 years' constant effort and study, and unassisted by anyone knowingly. I am satisfied at any time to explain in full this system and do at this time offer the chairman of this committee an outline of this plan. Trusting that I may be given that opportunity to explain their lines, as I know there are phases included that may not be fully understood, I am at leisure at any time it is the pleasure of this committee or any other parties they may direct or suggest.

I thank you.

(The matter referred to above follows:)

OBJECTIONS TO S. 1130, SOCIAL-SECURITY BILL

The entire bill is without a standard.

It creates a political machine of high-salaried administrative officers.

No State has any right to arbitrate on any differences that may arise.

Forces States to enact an individual State pension law, which has been proved to be an unsuccessful venture and has been admitted to be a broken-down system, in which only a small number of citizens can be cared for; due to the added clauses necessary to protect citizens of that State, in turn, makes ineligible citizens who are deserving and honest otherwise.

Is not constitutional, due to the fact that more than half of the States will be forced to pay taxes for benefits which they themselves will be denied. Not an equal benefit—section 8, Constitution of the United States.

Further, the higher reaches of society are protected from assisting a cause so worthy and broad as this aim.

The entire bill is arranged so as that nothing will start until the present administration has left office, 1940, at which time the next party, whoever it may be, will be subject to the advanced payments as arranged in the bill.

No benefits will be effective in the near future.

The 70-year age requirement is permitted to remain until 1940.

The 10-year-resident clause need not be changed as per the bill.

Not an assurance for the future; in this way the administrator who is appointed has full power. The next administrator, who is not elective, may not be in harmony with the system; but, due to the fact that he has the power, he can upset the whole system, and the States are not permitted to voice their side; therefore, they may be ignored as States and citizens, forgotten as all States in the start who do not join in a known failure.

The bill will be carried, as per lines, if the United States Government paid only \$1 a month per aged citizen, or less—section 7 and section 6, article C.

Many references throughout are made to assuring subsistence compatible with decency and health. No definition is given to this; therefore, it can be made to mean as the administrator may choose. Such should be replaced with a minimum figure.

No mention as to the status of railway, State, and Government employees, should they become unemployed; there should be some protection offered.

Here is a comparison: The Civil Service Retirement Act is just a little over 14 years old.

The Federal Government made no appropriation to assist this fund from 1920—its origin—until 1929. Then, from 1929 up to June 30, 1933, the Federal

Government assisted this fund to the extent of \$103,450,000; and from June 30, 1933, to June 30, 1934, there was an annual appropriation of \$21,000,000. Now this session this \$21,000,000 appropriation was increased 90 percent, or \$20,000,000, thus making a total of \$41,000,000 annually allotted to this fund.

In 1932 there were 25,567 annuitants on the roll.

In 1933 there were 32,838 annuitants on the roll, an increase of 7,268.

In 1934 there were 44,710 annuitants on the roll, an increase of 11,875; this is as of June 30 in these years.

Now, with the Federal Government contributing \$21,000,000 to this cause, with 44,710 annuitants on the rolls, as of this year, at this rate the Federal Government is paying \$39.14 per unit per month; and with the 90-percent increase, or a total now of \$41,000,000, that is at the rate of \$76.41 per month the Federal Government is paying for each civil-service retired employee.

The citizens of the United States are forced to pay this amount in tax form for this purpose and are in no way subject to the benefits.

If the Federal Government can afford to pay \$39.14 per month, besides the three and one-half contributed by the employee, to retired civil-service employees, why cannot this system be widened to include all citizens and only those who honestly need help? And in place of the Federal Government contributing, cause all elements of society to assist this cause?

This is only one of the many angles necessary to understand in this study. In viewing the foreign acts we see many instances whereby we by no means could give them a thought, much less consider them.

I like to give examples of everyday life, in comparing possible plans as to why such is necessary and why such could be avoided. Therefore I cannot content myself, and be satisfied to explain my plan or ideas, in only a few minutes. It has taken me years to understand, therefore to be honest with the subject it cannot be properly explained in a small space of time.

We have many conditions in the United States which should not be tolerated, and such is known officially.

Bill proposed by Joseph P. B. Wier.

To provide old-age security for all persons over 60 years of age in the United States of America. To raise revenue by an income-assurance tax. The management of, method of securing places to be established for.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That this act be known and cited as "America's aim, old-age assurance act."

DEFINITIONS

SECTION 1. When used in this act the term—

(a) "All persons in the United States" shall mean all persons over the age of 21 years, citizens or aliens, so long as they have established a residence within the continental limits of the United States of America for a period of more than 8 months.

(b) "Employer" shall mean person, persons, partnership, association, or legal representative, trustee, or representative of any group transacting any business whatsoever, so long as they have assisting them, or employ, more than four persons.

(c) "Identification card" shall mean a card to be held by all persons in the United States and to be produced within 24 hours when inspection is requested by such persons authorized to inspect same. Identification cards to bear name of such person, with space of dates, amounts paid, and seal of receiving agent.

(d) "Income assurance tax" shall mean a payment of 3 percent of all earnings from \$600 per annum to \$6,000 per annum and of 1½ percent of all earnings in excess of \$6,000 per annum, whether it be salary, commission paid from dividends earned, or from profits arising from any other nation, so long as United States currency is involved, directly or indirectly. The Federal or municipal governments shall not contribute in any other way than by 1½ percent of all inheritance taxes collected by them. Charitable institutions (where no fee is charged for their service) are exempt from any tax whatsoever.

(e) "Exemption" shall mean the payments received by foreign consuls and their aides for services rendered their respective countries; further, it is here understood that foreign representatives are in a position to deal direct with the United States Government or subject themselves to the same income assurance tax.

(f) "Agents to receive income assurance tax" shall mean any branch post office where money is received as deposit, or as may be directed by the Secretary of the Treasury of the United States of America.

(g) "Commissioner of ———" shall mean a person presented by the President of the United States to the Senate and the House of Representatives for their approval, with the following qualifications:

1. A United States citizen by birth.
2. Over 50 years of age.
3. Is in harmony with such a plan, and understands same.
4. Is not a member of or a stockholder in any business-transacting group.
5. To be responsible for the management and maintenance of the system.
6. To be compensated by an amount not to exceed \$9,000 per annum and necessary travel to properly direct.

(h) "Assistants to the Commissioner of ———" shall mean three persons to be appointed by and in the same manner as the Commissioner of ———, with the same qualifications.

1. To be under the direct supervision of the Commissioner of ———.
2. To be compensated by an amount not to exceed \$7,000 per annum, and travel as directed.

(i) "Chief surgeon" shall mean a person presented to the President of the United States by at least two medical or surgical institutions in good standing in the United States, in turn is offered by the President to the Senate and the House of Representatives for their approval.

1. With the same qualifications as the Commissioner of ———, further, to be a regularly licensed physician and surgeon.

2. To be responsible for all medical and surgical activities on all places that may be established.

3. To be compensated by an amount not to exceed \$15,000 per annum and necessary travel to properly direct.

(j) "Assistant to the chief surgeon" shall mean three persons appointed by, and in the same manner as the chief surgeon.

1. To be under the direct supervision of the chief surgeon.
2. To be compensated by an amount not to exceed \$7,000 per annum, and travel as directed.

(k) "Head matron" shall mean a woman appointed by, and in the same manner as the Commissioner of ———, with the same qualifications, except the age shall not be under 40 years; further, to be a trained nurse.

1. To be responsible for all activities of such nurses as may be necessary on all such places as may be established.

2. To be compensated by an amount not to exceed \$7,000 per annum, and necessary travel to properly direct.

3. To function in harmony with the chief surgeon.

(l) "Student assistants" shall mean such students as may be assigned to such places as may be established, by their respective colleges, medical or surgical, to advance their knowledge in medical or surgical science, such assigning institutions shall be in good standing in the United States.

1. To be under the direct supervision of the chief surgeon.
2. To be dismissed at any time by the chief surgeon on findings not in harmony with the system and/or does not respect all dealings to and for.

3. Not to be compensated for their duties but, quarters to be furnished.

4. No assignment shall be for less than 3 months duration, but may be extended to any period, deemed to be advisable.

(m) "Places to be established" shall mean such places as may be established in a similar manner to a town. To consist of apartments for living quarters, hospitals, administration buildings, occupational buildings, as per plans outlined by Joseph P. B. Weir, to be submitted and arranged so as to comply with the laws of the United States.

1. To be located as near as possible to the greatest populated centers. (One place may care for inmates from 4 or 5 States.)

(n) "General rule" shall mean no religious sect, no political party, no fraternal organization shall be given any preference. All to be equal.

(o) "Organization (America's aim)" shall mean the representatives and delegates formed to unite in the management of such system, and places, from the several States and territories in the United States.

(p) "The masculine shall include the feminine."

AMERICA'S AIM BODY. MANAGEMENT, ELECTION OF, AFTER 3 YEARS, AFTER 5 YEARS,
DUTIES OF

SEC. 2. (a) After 3 years from date of announced opening, a body shall be formed to consist of 1 person for every 15,000 population in the several States and Territories in the United States, to be termed as representatives of that State or Territory.

(b) To be selected by and in harmony with all States but to be distributed as per populace and not all from any one city or town.

(c) To meet once each year, to the convenience of that State.

(d) To discuss management of places established, for the betterment of, and to elect delegates to attend the yearly convention (1 delegate for every 10 representatives) and to properly instruct such delegates.

(e) The several States and Territories shall be duly notified as to place of convention, and time in advance of same.

(f) A like number shall represent the registered persons.

(g) A registered person may represent that State in which he may be assigned to an office or agency outside the limits of such place as may be established but in such case will not be considered as a registered person representing.

(h) All delegates shall have verified any complaint they may have to offer at the yearly convention.

(i) Any group who may oppose any motion for the good of the system will be required to take the floor and explain the reason for such opposition and make same clear.

(j) Each group of delegates from the several States shall have the floor until all business they may have to offer has been finished. One or more may be selected to speak for that group, but all shall vote.

(k) No vote will be taken until all groups have been heard, and all voting will be by signature, not by secret ballot.

(l) Those to be present at these yearly conventions shall include the chief surgeon, one assistant, the commissioner of ———, one assistant, the head matron, and any other person found necessary to have been appointed for the proper functioning of a system of this nature.

(m) Delegates will not be compensated for this duty, but such can be arranged to care for transportation. (By State cooperation.)

(n) After 5 years from date of announced opening, all previously appointed persons shall be elected by the delegates in the yearly convention for a period of 4 years' duration, and to be finally accepted by the Senate and the House of Representatives, and signed by the President of the United States. Such persons elected to take office 3 months after election.

(o) The principal of this system will in no way be changed without a three-quarters favor.

(p) No group shall dictate to this system except designated to do so by the delegates in the yearly convention. It is here to be known that the delegates representing the several States and Territories are the members of control and that this is a national problem.

(q) America's aim, old-age assurance.

PERSONS REGISTERED

SEC. 3. (a) All persons registered to be governed by all rules that may be necessary to establish from time to time for the good of all concerned.

(b) To assist in the management of by honest attention to the various duties that may be assigned him, necessary to function in a system of this nature.

(c) To make a report of any irregularities that may come to his attention.

(d) To in every way make cheerfulness be an outstanding aim.

(e) All persons accepted from whatever State or Territory they may have made application.

FORM OF COMPENSATION

SEC. 4. (a) All registered persons shall be directed to report to that place established nearest to place of enrollment, or as directed.

(b) The necessary travel will be cared for by the system, when traveling on order.

(c) A registered person may, if so directed, be assigned to such duties as recorder or assist in the management of such office or agency as may be deemed.

necessary by the Commissioner of ——— providing physical conditions and qualifications are deemed sufficient to carry on such duties.

(d) Registered persons assigned to an outside duty may reside at any place convenient to himself, so long as such is agreeable, clean, and healthy.

(e) No registered person shall be made to reside at any designated place while on duty outside the limits of such places established.

(f) Registered persons assigned to an outside duty shall be compensated by an amount not to exceed, and not less than \$45 per month.

(g) Monthly payments shall be computed by, and with the added, any other income that may exist.

(h) Any registered person assigned to an outside duty may be recalled and his outside assignment terminate for.

A. The abuse of the use of alcoholic beverages.

B. Is not honest and properly performing the duties assigned him.

C. His physical condition no longer permits.

D. Conduct has caused the attention of the police courts; further, no interference will be made in any case where a registered person has committed himself and a term is allotted him in any jail or workhouse. All moneys that may become due shall cease on date of conviction, and when such time has been served, such person will be directed as to where and how to report.

REGISTERED PERSONS, ELIGIBLE TO BE

SEC. 5. (a) Any person in the United States of America who—

(b) Is a citizen of the United States of America by birth, or having filed final papers for such no less than 15 years immediately preceding date of application.

(c) Has attained the age of 60 years or upwards.

(d) Is not in any jail, prison, workhouse, insane asylum, or any other correctional or reformatory institution.

(e) Is not a known habitual drunkard.

(f) Is not a known drug addict.

(g) Is not a known immoral character.

(h) Has not purposely evaded his income-assurance tax.

(i) Has an identification card.

(j) Does not possess property value in excess of \$3,000 if single, and not in excess of \$5,000 if married.

(k) Has no income in excess of \$600 per year.

(l) Does forfeit rights if registered, that if through inheritance an estate of sufficient value be awarded him, that such cost at the rate of \$50 per month for such time care has been tendered him shall be paid this system therefrom, and the same be paid at death if such sums are found in registered person's name.

(m) The administrator of such estate shall be ordered to pay such claim before any other, except Federal or municipal governments.

(n) Has not been tried for murder, and acquitted on the grounds of insanity, later adjudged sane, and given liberty.

(o) Has no son or daughter or any other person liable for his support by law (such persons liable) deemed to be able to support a dependent, if total earnings are in excess of \$1,800 per annum.

(p) Is not an habitual criminal, deemed to be such if convicted on two or more major crimes?

(q) No person who does purposely dispose of property or any other valuables so as to be able to claim eligibility to this system, within 3 years immediately preceding date of application.

(r) No person who does desert his wife, or her husband, leaving children under the age of 16 years, except in such cases where a court has decided in favor of such party. The deserting party in this act is not deemed to be a dignified person, and not worthy of honor or consideration.

DUTIES AND POWERS OF COMMISSIONER

SEC. 6. (a) The Commissioner of ——— shall have full power to direct the management of such places as may be established, as to location by the Senate and the House of Representatives.

(b) To properly establish a system of recording and such offices or agencies as he may deem to be the best advantage to all concerned.

(c) To properly direct his assistants, and elect one to be at all times on such places as may be established, to represent himself.

(d) To assign such registered persons as recorders, and to such offices or agencies as near as possible to their place of enrollment, providing physical conditions permits, and they are qualified to carry on such duties.

(e) To permit all outside assigned registered persons to reside as per section 4, article (d) and (e).

(f) To assist the chief surgeon in the purchase of supplies and sign with him all such bills, and in every way to function with him in the management as a unit.

(g) Not to hire any outside help as recorders or in any office or agency so long as there are registered persons able to carry on such duties. Further, if such becomes necessary, not to hire any person under the age of 50 years.

(h) To tender whatever data requested by the several departments of the United States Government for record, when possible.

(i) To see that such places established are beautified to the greatest possible extent.

(j) To enforce the general rule in the conducting of all duties.

(k) To consult in person or by letter the States authorities in such matters that are necessary where a registered person has committed himself assigned to an outside duty, and be governed by their advice.

(l) To see that no industrial plant be established that will produce any article for sale, on such places as may be established.

(m) To assist in every way in the arrangements of and to be a church of any denomination whatsoever, if such request has been properly made.

(n) To cause farm activities to be a factor in the management.

(o) To treat all registered persons as persons paid at all times.

(p) To attend the yearly convention of that body known as the "America's Aim Body", and arrange that one assistant also attend.

(q) To be governed by the activities of such meetings, be mutual.

DUTIES OF ASSISTANTS TO THE COMMISSIONER OF ———

SEC. 7. (a) The assistants of the Commissioner of ——— to

(b) Accept the orders of the Commissioner of ——— as duties of.

(c) To report any irregularities that may come to his attention.

(d) To treat all registered persons, as persons paid at all times.

(e) To enforce the general rule in the conducting of all duties.

(f) To travel only on the orders of the Commissioner of ———.

DUTIES AND POWERS OF CHIEF SURGEON

SEC. 8. (a) The chief surgeon shall be directly responsible for all medical and surgical activities on all such places as may be established.

(b) To confer with the Commissioner of ——— in matters of purchase of supplies, and sign with him all such bills.

(c) To arrange that one assistant be stationed on all places that may be established, to represent himself.

(d) To attend the yearly convention of that body known as the America's Aim, delegates' convention, and arrange that one assistant also attends.

(e) To arrange with such medical and surgical institutions as may be in good standing in the United States, so as to advance the interest of the students and the system and to advance medical and surgical science.

(f) To arrange for quarters for students as may be assigned to such places as may be established, to advance their knowledge in medical or surgical studies.

(g) To cause a clean, healthy, inviting place at all times.

(h) To enforce the general rule in the conducting of all duties.

(i) To treat all registered persons as persons paid at all times.

(j) To assist and cause to be such lectures, at any place that may be established (hospital auditorium) that of medical and surgical science, to advance the interest of humanity.

(k) To tender whatever data requested by the several departments of the United States Government for record, when possible.

(l) To be guided by the general actions of the delegates in the yearly convention, be mutual, reciprocal.

DUTIES OF ASSISTANTS TO THE CHIEF SURGEON

SEC. 9. (a) The assistants to the chief surgeon shall accept the orders of the chief surgeon as duties of.

- (b) To report any irregularities that may come to his attention.
- (c) To enforce the general rule in the conducting of all duties.
- (d) To treat all registered persons, as persons paid at all times.
- (e) To travel only on the orders of the Chief Surgeon.

DUTIES OF HEAD MATRON

SEC. 10. The head matron shall govern all activities of all nurses on all such places as may be established.

(b) To accept the orders of the chief surgeon in all medical or surgical activities, and the Commissioner of ——— in matters of housing. To work in harmony with the system as a unit.

- (c) To enforce the general rule in the conducting of all duties.
 - (d) To treat all registered persons as persons paid at all times.
 - (e) To report any irregularities that may come to your attention.
 - (f) To attend the yearly meeting of that body known as the America's Aim.
- Be governed by their actions, be mutual.

INCOME ASSURANCE TAX, HOW PAID, BY WHOM

SEC. 11. (a) Income assurance tax shall be paid weekly by all persons who receive their earnings weekly.

(b) Income-assurance tax shall be paid monthly by all persons who receive their earnings monthly.

(c) Income-assurance tax shall be paid yearly, by all persons who receive their incomes yearly, be it from salary, dividends earned, commissions received, earned interest, bonds, stocks, securities, loans, or any other income from any transaction whatsoever.

(d) To any branch post office where money is received as deposit, or as may be directed by the Secretary of the Treasury of the United States.

(e) Organizations employing more than four employees shall deduct the sum equal to proper income-assurance tax from each employee weekly and make such payments in lump sum, not itemized, such payments shall be properly recorded on organization card. Sums deducted shall be properly recorded on employees identification card, with amounts, dates, and organization's seal. All identification cards of employees shall be kept in the office of the employer and returned when employment ceases.

(f) All incomes not regular such as inheritance, gifts, by one not regularly employed such as housewife and others who have their cards sealed monthly by recorders, created for that purpose, will be instructed by said recorders as to the proper course to follow.

(g) Housewives, and others not employed, shall have their identification cards sealed by recorders for that purpose, and when employment is secured such recorders shall be so advised.

IN DEFAULT OF INCOME ASSURANCE TAX

SEC. 12. All persons in any class income-assurance tax who does default such payments shall be subject to a fine equal to three times the amount defaulted, and the cost of any court action necessary to secure same, or imprisonment of 90 days, or both.

METHODS OF SECURING PLACES TO BE ESTABLISHED

SEC. 13. A certain year shall be taken as the key year.

(b) The total expenditures on alms upkeep, and the care of the aged citizens in that State or Territory in the key year.

(c) One-third of expenditures as per section 13, article (b) shall be termed the figure payment.

(d) Each of the several States and Territories shall make the figure payment on entry of their share in securing such places to be established, when these places are fully paid the figure payment ceases.

(e) No act is to be created that may cause any State or Territory pay any part of maintenance of such places as may be established.

(f) The United States Government shall advance a sum, or credit, so as such places to be established, may be started on, and on entry of the States citizens, the figure payment, shall be the method by which the United States Government be repaid for such advance.

INTENTIONS OF THIS ACT

SEC. 14. The provisions herein contained shall in no other way be taken than—

(b) An act to care for, and provide assurance for all citizens of the United States of America who have attained the age of 60 years or upward, and qualify.

(c) An emergency that does exist, and will continue to exist, at such period of life beyond control, where citizens due to their age are no longer capable to compete with the younger generation in trades.

(d) Are not recognized as desirable by hiring agencies, or by firms doing business for profit.

(e) All now paid pensions of any State or Territory, may be transferred to this system by that State assisting in its creation by the payment of the figure payment, therefore, it will be a total saving to all States, and a lesser tax burden on the citizens of all States in the United States of America.

(f) It cannot be termed as a charity system, it is a paid for assurance.

(g) The Constitution of the United States does specify that benefits shall be equally shared by all.

(h) It is noted that industrial organizations refuse to hire men who pass 40 years of age.

(i) All citizens who may by chance some day need assistance is herein recognized.

(j) Sixty-five and seventy years limits are illogical. Sixty years is the true and proper age requirement.

THE TRUE TONE OF BILL S. 1130

A citizen of the United States of America, regardless as to how honest he may have been in the past, or how faithful he has been to this, his country, and to industry, if his State's authority sees fit to ignore the dictations of the administrator, he is to be ignored as a citizen of the United States and be permitted to lay about the streets and starve or freeze.

Too great an undertaking, no nation has undertaken to cause all social needs to be satisfied by the creation of one act. It has taken years of experience for them to conclude or cause all social measures be cared for in some manner or another. Therefore we should be guided by this experience. Many lines in bill 1130 are no more than those of foreign acts, but not condensed sufficient to be properly placed.

Nevada enacted their pension law in 1925. These are years enough to go by to know to what extent their citizens have accepted such act.

Kentucky enacted their pension law in 1926. That too is years enough to have by now made experts of their pension heads.

West Virginia enacted their pension law in 1931. That was not last year. Now neither of the three last-named States, with all the years such laws have been on the books of their respective States, are not paying pensions to their citizens. My contention is, what good is such an act if the citizens of such States do not benefit by such acts?

Maryland enacted their pension law in 1927, with a population of 1,631,526, and 24 counties. With all the years this State has had this act on the books of their State, should it not by now have caused enough recognition by the 23 counties who do not recognize such act, if it was so wonderful? December 31, 1932, this State paid just 143 old-age pensions, and in 1933 it paid just 141 pensions.

In my interviews with citizens of Maryland who pay taxes in this State and who were born in this State, never resided outside the limits, have no knowledge of any pension system whatsoever in their State.

Wisconsin enacted their pension law in 1925. There are 71 counties in this State; 8 counties only recognize such an act; 63 do not recognize such an act. Is this not possible there must be something wrong, when counties surrounding these few counties who do recognize their act, and are able to understand the conditions, still refuse to have anything to do with the pension laws?

New York in 1932 expended in pension payments the sum of \$15,454,308 and in the same period expended on alms' upkeep the sum of \$11,910,279.44.

Now in New York, the greatest State in number of pensions paid, dropped in pension payments to the extent of 3,079 in 1933. This is the greatest drop noted in any period in any State paying pensions. Their total in 1932 was 54,185 pensions paid. At this time it should have been increased as other States with a pension act on their books. It is impossible to place all the data before you, so I will save it for reference for you at any time you so choose such. On any angle, I feel capable to define conditions, therefore it is for anyone to prove different.

Four million aged citizens; \$45 per month equals a 44-cent per capita weekly tax to 125,000,000 population, or \$2,860,000,000. Cost, \$2,160,000,000; surplus, \$70,000,000.

The CHAIRMAN. The next witness is the Rev. George Reid Andrews, of New Haven, Conn.

STATEMENT OF REV. GEORGE REID ANDREWS, EXECUTIVE SECRETARY OF THE AMERICAN EUGENICS SOCIETY

Mr. ANDREWS. I am addressing myself to title 7 of Senate bill 1130, dealing with maternal health and child welfare. I am representing the American Eugenics Society, being its executive secretary. The Eugenics Society exists to see that our children are well born and well bred. We are, therefore, interested in eugenics and euthenics. We want to see at least four children born to every couple capable of bequeathing to their children a sound mind in a sound body, and able to provide for their children a fit home and proper character training; and conversely, we want to see fewer children in families unable to provide adequately for their offspring, and no children born to the feeble-minded, hereditarily diseased, the insane, and the habitual criminal. Anything, therefore, which affects maternal health and child welfare is of concern to us.

We rejoice in this plan of greater economic and health security as set forth in this bill, especially its features relating to maternal and child welfare, although we wish that the appropriations for these purposes might have been more generous. The provisions of the bill go far, but we do not believe they go far enough. There are aspects of maternal health of great importance which are not mentioned and, if considered at all, are vaguely hinted at. The condition of a mother's health at the time of conception and during pregnancy affect the vitality of the child. Moreover, the ability of the mother to care for the physical, mental, and spiritual needs of her children in her home is of great importance for both mother and children. The Eugenics Society believes that the times and frequency of pregnancy are of vital consideration in any program of maternal health and child welfare. A program which ignores these elemental aspects of maternal and child health closes its eyes to facts we ignore at our peril.

We wish to recommend, therefore, the incorporation in this bill of provisions to study the crude and health-destroying practices of distraught mothers in their efforts to prevent unwanted conception, and the methods employed to interrupt conception once it has taken place, and above all to provide adequate and scientific information for mothers by which they may voluntarily limit their families in keeping with their health and economic ability to care for their children.

Money spent in this fundamental work for maternal welfare will prove truly preventive, and will decrease rather than increase the burdens of taxation.

The CHAIRMAN. Thank you very much, Doctor.

Mr. ANDREWS. There is one suggestion that we would like to make if it is in order. If one word were inserted in this bill, we believe that all that we ask for would be covered.

The CHAIRMAN. Where is that?

Mr. ANDREWS. It is in line 11, section 701, title 7; and if the word were inserted just before the word "maternal care", which would make it the third word in line 11, the line would then read, "And conducting special demonstration and research in contraception, maternal care, and other aspects of maternal and child health service." Just insert the one word "contraception."

The CHAIRMAN. Thank you very much.

Senator CONNALLY. Let me ask you one question. Is there any distinct opposition among the medical fraternity to these portions of the bill that you have addressed yourself to, on the idea that it is an invasion of their private practice? I have heard some rumors to that effect.

Mr. ANDREWS. I have never talked to the organized medical profession. I have talked to individual doctors and every one with whom I have talked is heartily in favor of that. There is some organized opposition in certain quarters, I understand, but when you approach the individual you do not find much of it.

Senator CONNALLY. Is there not some resistance in medical associations and organizations to the embarking by the Government by any means upon any kind of public-health measures and mothers' care upon the theory that it takes away from the private practitioners their opportunities?

Mr. ANDREWS. I suspect there would be some professional consideration there, but we do not feel it is of enough importance to pay attention to it.

The CHAIRMAN. Thank you very much. The next witness is Mr. Guy Irving Burch, of New York.

STATEMENT OF GUY IRVING BURCH, DIRECTOR, POPULATION REFERENCE BUREAU, NEW YORK CITY

As a student of vital statistics and population growth during the past 12 years, I do not come before your committee to argue for or against this bill, but rather to present certain fundamental data which, it appears to me, should be considered in connection with this bill for economic security among the American people.

I am especially interested in two parts of this bill. First, in title II, headed "Appropriation for aid to dependent children", and, secondly, in title VII, headed "Maternal and child health."

In section 201 of this act it is proposed that \$25,000,000 annually be appropriated from funds in the Federal Treasury for aid to dependent children. It is also proposed in this act that this sum be augmented by funds from the various States. These large sums of money, like much greater sums for unemployment and general relief running into the billions of dollars, will, of course, have their effects upon the standards of living of the self-supporting and negative re-

action upon the size of their families. It is therefore of importance that our efforts in relieving suffering be guided by a full knowledge of the facts and with a purpose of giving permanent relief instead of aggravating the situation so that our children and grandchildren will be confronted with still greater problems.

Recent reports from the Federal Relief Administration indicate that there are approximately 4,000,000 families, or 16,000,000 persons, on Federal relief. Probably the number of individuals receiving public and private relief in this country today approaches 25,000,000, or approximately one-fifth of our entire population.

An analysis of persons on relief made by the Federal Relief Administration indicates that 42 percent were children under the age of 16 years and that large families, having six or more children, were bearing a large proportion of the hardships that go with unemployment distress.

Sample studies made by the Milbank Memorial Fund, I may add, one of the most reliable institutions in this country on matters of vital statistics, indicate that families experiencing unemployment have 48 percent higher birth rates than families not experiencing unemployment. Dr. Samuel A. Stouffer, of the University of Wisconsin, in a paper to the American Statistical Association, found that in Milwaukee families on relief had a birth rate 35 percent higher than self-supporting families.

I realize, of course, that during this depression there are many families experiencing unemployment and receiving relief that would ordinarily be self-supporting. I am not suggesting that such families should not experience the pleasures that come with the birth of children. Nor am I suggesting that the Government interfere with the increase in their numbers. I would like to make this clear. As a matter of fact, it is precisely because the Federal Government has interfered with poor families getting reliable information as to how to effectively control the number of their children that is causing much unnecessary suffering and hardship among these families. I refer to sections 211, 245, and 312 of the Criminal Code, which makes it a crime punishable by \$5,000 fine and 5 years in prison for even the medical profession to transport contraception supplies by mail, express, or common carriers from one hospital to another even in States which have no laws of any kind concerning contraception.

Dr. Raymond Pearl, of Johns Hopkins, in an exhaustive study for the Milbank Memorial Fund, reaches the conclusion that—

the national policy of prohibiting the free dissemination of accurate scientific information about birth-control methods is adding definitely and measurably to the difficulty of the problem of poverty and unemployment with which our children and our grandchildren will have to deal.

These sections of the Criminal Code mentioned above tie the hands of the medical profession and drive the distribution of contraceptives underground, and the wholesale bootlegging of fake contraceptives endangers the health of many thousands of mothers, which also endangers the health of their children. Largely because of the lack of reliable clinical methods of contraception it is estimated that there are more than 800,000 abortions in this country annually. This ignorance also contributes to a greater or lesser extent in the death of some 30,000 women and 200,000 infants annually. What a waste of human resources.

This brings me to "title VII" of the Economic Security Act headed "Maternal and child health." Section 701 of this act would appropriate \$4,000,000 annually from funds in the Federal Treasury in order to enable the Federal Government to cooperate with State agencies of health in extending and strengthening services for the health of mothers and children, especially in rural areas and in areas suffering from severe economic distress. I may say that it is in these very areas where sections 211, 245, and 312 of the Criminal Code do their greatest damage to the health of mothers and children, because reliable means of contraception must generally be transported to rural areas, which transportation is prohibited by the Criminal Code, and parents who are unemployed and families who are largely dependent upon charity clinics and public hospitals cannot afford bootleg methods of contraception which their more fortunate neighbors demand and get from the private physicians.

Many relief workers from the headquarters in Washington to the most distant rural areas realize the pressing need of making available reliable methods of contraception to families on relief, especially in rural districts, but their hands are tied by the Criminal Code.

Perhaps it is not in order to recommend that the Economic Security Act includes an amendment to sections 211, 245, and 312 of the Criminal Code which would enable the medical profession and through it the Relief Administration to make available contraceptive information to families on relief, but the facts would appear to indicate that until the hands of these agencies are set free in this respect the health and lives of many mothers and children will be endangered, and the existing evil may even be nourished on taxpayers' money which might be more wisely spent if relief were accompanied by contraceptive information.

The CHAIRMAN. I am placing in the record a letter and statement on the pending bill from Dr. Eveline M. Burns, of Columbia University, New York City.

COLUMBIA UNIVERSITY,
New York, N. Y., February 15, 1935.

HON. PAT HARRISON.

*Chairman Committee on Finance,
Washington, D. C.*

MY DEAR MR. CHAIRMAN: I am enclosing herewith a statement in regard to the Economic Security Act (S. 1130) for the consideration of the committee. In this statement I draw attention to certain features of the bill which in my judgment will render it unworkable and are likely to postpone rather than to encourage the establishment of unemployment insurance.

I have for many years been making a special study of the problems of unemployment compensation, both in this country and abroad, and have written various articles and read papers before the American Economic Association on the subject. In 1933 I was sent to Europe by Columbia University to investigate the operation of the German unemployment relief system. Last fall I acted as a consultant to the Committee on Economic Security. Since 1928 I have been a member of the granite faculty of economics at Columbia University.

During the past few years I have played an active part in the movement to secure unemployment insurance legislation in New York State and have worked closely with such organizations as the New York Conference for unemployment insurance, the American Association for Social Security and other groups, and have appeared at Albany on several occasions. As vice president of the Consumers League of New York and member of the national board of the Y. W. C. A. I am continuously consulted by these organizations in regard to the problems of social legislation and especially of unemployment insurance.

Yours faithfully,

EVELINE M. BURNS.

THE UNEMPLOYMENT COMPENSATION PROVISIONS (TITLE VI) OF THE WAGNER-LEWIS-DOUGHTON BILL (S. 1130)

Statement by Dr. Eveline M. Burns, Columbia University, for presentation to the Senate Committee on Finance

I shall direct my attention to title VI of the bill, and with all respect would make the following criticisms of the proposed method of bringing about unemployment insurance. The bill is to my mind objectionable for the following reasons:

1. It will not bring about unemployment insurance to any significant extent.
2. It will lead to great lack of uniformity and to confusion.
3. It adopts a clumsy and duplicating administrative mechanism.
4. It fails to make provision for effective stabilization programs.
5. It is unnecessarily conservative in many respects.
6. It is badly drafted at many vital points.
7. More satisfactory methods of bringing about unemployment insurance are available.

1. IT WILL NOT BRING ABOUT UNEMPLOYMENT INSURANCE TO ANY SIGNIFICANT
EXTENT

(a) The absence of essential standards in the bill largely nullifies the alleged protection against unfair competition.

It is claimed by the exponents of the bill that the 3-percent tax will make it easier for States to set up unemployment-insurance schemes because it will remove the justifiable fears of business men of unfair competition from States which do not institute such systems. But unfortunately the bill refrains from laying down the essential standards to be required of approved unemployment-insurance schemes. Nothing is said about such vital matters as the amount and duration of benefit and the waiting time which must elapse before benefit can be claimed.

The absence of such vital standards seriously limits the extent to which the general 3 percent tax levy protects business men from unfair competition from States which enact inadequate unemployment-compensation laws.

The act permits the full tax credit up to 90 percent of the Federal tax to be claimed by employers in States which sanction plant or industry reserves, even though the individual employer is paying no more than the 1 percent minimum, because he has accumulated the reserve required under his State law. So long as such an employer's reserve is intact, he need pay no more than this 1 percent. It was clearly the intention of the bill that this provision would offer an inducement to employers so to stabilize operations that their reserves would remain intact. But plant reserves can be preserved intact by methods other than positive stabilizing action on the part of employers. They can also be protected by rigid requirements which make it difficult for unemployed workers to draw upon them.

Under the bill as now drafted there is nothing to prevent a State, interested merely in permitting the employers to obtain the maximum rebate, from setting very low benefits for but brief duration and requiring long waiting periods. Under these conditions the plant or industry reserves would remain largely intact, employers in such States would have satisfied the legal requirements, pay only 1 percent to the State fund, and, if the highest rate of contribution required in the State of any employer or employers is 3 percent (sec. 607), collect the full Federal rebate and be 2 percent better off than their competitors in States which insist on more adequate benefits calling for a continuous payment of the full 3 percent by all employers.

To make the equalization of competition more nearly a reality the Federal Government should lay down minimum standards on amount and duration of benefit and maximum length of waiting period which must be satisfied by any scheme, whether State pooled reserve or industry or employer fund.

(b) It is highly doubtful whether many States will act under the bill.

Apart from the alleged removal of the fear of unfair competition, which is in fact rendered largely illusory by the absence of essential standards, the act affords no strong inducement to States hitherto indifferent or hostile to set up unemployment-insurance schemes.

Presumably, it is hoped that they will hasten to set up schemes in order to get back their share of the tax paid by their employers and to obtain their

share of the \$49,000,000 grant for administration under section 406. But it is doubtful whether the inducement is strong enough.

Certainly there will be little inducement to employers. At best, except in the case of the plant-fund provisions which can scarcely benefit them for many years, they will be financially unaffected. They will pay the tax to the State instead of to the Federal Government and will suffer the added inconvenience of having to make out two sets of tax and wage-payment returns. If their State system should call for a contribution of more than 2.7 percent of the pay roll they will actually be worse off, for the bill permits them to credit contributions to a State system up to 90 percent only of the 3-percent Federal tax. Should their State impose a tax of 3 percent therefor the employers would have to pay in total 3.3 percent of pay rolls, an increase of 0.3 percent. It is unlikely, therefore, that employers will promote the passage of State laws.

To the State legislatures the inducement to act offered by the bill is also far from obvious, especially when the real nature of the choice before them is understood. At first sight it would appear as if they would hasten to set up insurance schemes in order to get back into their own State funds that will otherwise flow to the Federal Treasury. But there are other ways of getting hold of Federal funds to assist in the burden of relief. Despite the expressed determination of the administration to withdraw from this field, it is clear that under the guise of public or emergency work or relief, the Federal Government is in fact committed to assist the citizens of any State that is unwilling or unable to protect its citizens from death from starvation. Those States already hostile or indifferent to unemployment insurance know therefore that even if they do not get hold of Federal money by setting up an insurance scheme, they will eventually get help through the Federal relief or emergency work schemes.

To such States, Federal funds obtained by setting up an approved unemployment fund have two disadvantages as compared with funds obtained out of the general relief program. They involve placing unemployment assistance upon a basis of rights and status rather than public charity. Fewer conditions can be required of workers for the receipt of unemployment insurance benefits. And once a scheme is set up it is likely to be permanent, persisting after the present depression has passed. Any Federal control over administration imposed upon States as a condition of receiving Federal assistance in the present emergency can be disregarded as soon as the emergency has passed.

It should be noted that this requirement that the States must spend the proceeds of the pay-roll tax on unemployment compensation (sec. 602d) sharply differentiates the pay-roll tax device from the superficially similar tax credit permitted under the Federal inheritance-tax law. In the latter case there was a strong inducement to the States to act, because no conditions whatever were attached to the spending of the money which was thus prevented from flowing into the Federal Treasury. Hence expectations as to the stimulating effect of a tax-credit device based on the successful Federal inheritance-tax law are ill founded.

For these reasons it seems improbable that action will be taken by any States other than those already strongly in favor of unemployment insurance. At best, therefore, the bill will promote a very partial adoption of unemployment insurance and many workers will be deprived of this type of protection.

(c) The schemes set up by the States may be completely insignificant in the absence of any minimum standards.

There is nothing to prevent a State from setting up a scheme paying benefits as low as \$2 or \$3 for as short a period as 2 weeks and after a waiting period lasting many months. And the inducement to do so will be considerable where plan funds are permitted. It must also be remembered that the protection against unfair competition extends only to contributions up to 3 percent of pay rolls, and it is highly improbable that States will collect more than this sum from their employers. Benefits will therefore be adjusted to what a 3-percent tax will yield. The Committee on Economic Security estimated that, averaging unemployment over the country as a whole, 3 percent could not provide benefits for more than 15 weeks in those States in which unemployment is especially heavy; benefits, if they are to be covered by a levy up to 3 percent, will be even less generous and adequate.

Experimentation in the absence of standards and with protection against unfair competition limited to 3 percent at most will inevitably be experimentation at the expense of the protection to the worker.

But if the benefits paid under State laws are insignificant, it becomes questionable whether the protection afforded justifies the tremendous administrative work involved in assessing and rebating the pay-roll tax on employers in every part of the country. Furthermore, such a tax will inevitably disturb business to some extent and give rise to considerable economic stresses and strains through the efforts of employers to shift it on to consumers and wage earners. These inevitable disturbances and readjustments may be a small price to pay for the institution of a comprehensive, adequate, and Nation-wide unemployment compensation system. When the bill is likely to promote, at best, systems in a limited number of States, many of which may offer entirely inadequate protection to workers, the justification for the economic disturbance involved in levying the tax is much more doubtful.

The Federal Government has a real interest in the adequacy and duration of the protection that is afforded unemployed workers by the State systems. For many years it is likely that the Federal Government will have to take care of the majority of the unemployed not assisted through the insurance schemes. It is essential that in return for permitting the States to utilize a convenient source of revenue that would otherwise be available to it to help meet the costs of unemployment assistance, the Federal Government should require that the State systems play a significant part in reducing the burden that would otherwise fall on the Federal Treasury. The only way to do this is to require that all States meet certain standards, and in particular assure a minimum amount of benefit for a minimum number of weeks and after a maximum number of weeks of waiting.

Under the present bill, the Federal Government undertakes a tremendous administrative task and foregoes a convenient source of revenue with no certainty that the residual burden of unemployment relief inevitably falling upon it will be materially reduced.

2. IT WILL LEAD TO GREAT LACK OF UNIFORMITY AND TO CONFUSION

Because of the failure of all States to act, the protection that any worker will receive will depend upon the State in which he happens to be employed. But not only will there be many States in which no protection is afforded; even in those States which have acted the protection will vary from one system to another. The 3-percent tax, on the basis of which the committee estimated that benefits might be paid up to 15 weeks, is calculated upon a national average. But in fact it will be spent upon a State basis, and unemployment varies enormously from State to State. (There is a span of 100 percent between the worst hit and the lightest hit State in the period 1930-33.) Many States may find that they can pay benefits for only half the 15 weeks; in others the yield of a 3-percent tax may make possible benefits for twice that time.

There is no provision in the bill for any reinsurance fund. It would indeed be almost impossible to provide for reinsurance without requiring certain minimum standards, and the present tax-credit device would make such reinsurance technically very difficult to administer. The existence of such wide differences in protection will seriously interfere with the mobility of labor.

3. IT ADOPTS A CLUMSY AND DUPLICATING ADMINISTRATIVE MECHANISM

(a) Federal control will be difficult to exercise.

The fact that the proceeds of the tax will be in the hands of the States in the first instance enormously weakens the control that the Federal Government can exercise. The only ultimate pressure that the Federal Government can exert on States that fail to meet even the formal standards at present required in the bill is to refuse to permit possibly thousands of individual employers to claim the rebate.

Such a system of penalizing individual employers for shortcomings in the administration or provisions of laws over which they have at best an indirect control (especially in States where the legislatures meet infrequently) is highly unsatisfactory. It is not merely an inconvenient and slow-working method of control and costly to administer, it is also very drastic * * * so drastic that the Federal Government may well be inhibited for political reasons from applying it in many cases in which control should be exercised.

(b) Constitutional difficulties may make impossible centralization of funds.

In a number of States there are constitutional provisions governing the custody of State funds that may make compliance with the provision of the bill relating to the deposit of the funds with the Federal Treasury difficult, if not impossible.

(c) There will be dual administration.

The tax-credit method involves a duplication of taxation. Employers, whatever their State contributions, will always have to pay at least 0.3 percent of pay rolls to the Federal Government. They must complete two sets of returns in respect of pay rolls. The Federal Government will have to set up an organization to inspect and supervise the operation of the State schemes to ensure that they comply with the requirements of the act.

Great emphasis is placed in the bill on the interest of the Federal Government in assuring high standards of administration. The likelihood that the Federal Government may be in a position to call for the removal of individual administrators is likely to raise the issue of paternalism and Federal domination in its most unpleasant form. Issues such as that arising in the recent dispute between New York State and the Federal administration in the case of Mr. Moses are likely to be generalized.

(d) The protection of the rights of mobile workers will be difficult to insure.

Under the present bill, which visualizes 48 different schemes, the only way to protect the rights of employees now in one State and now in another, but working always in employments subject to the act, is to provide for reciprocity agreements between all the different funds. Should all States take advantage of the opportunity to conduct experiments—on which so much emphasis is placed by the framers of the bill—each State will have to conclude an agreement with all 47 others, if mobile workers are to be assured full protection of their accumulated rights.

4. IT FAILS TO MAKE PROVISION FOR EFFECTIVE STABILIZATION PROGRAMS

As at present drafted, the bill makes experimentation by industries or firms operating on an interstate basis almost impossible. Such industries or firms can carry through their own schemes only if they can obtain the consent of, and meet the requirements laid down by, every individual State in which they have a plant. Yet there is general agreement among economists that the major controllable problems leading to irregularity of operations can be most effectively tackled by action on the part of an industry as a whole. Action by large concerns is especially likely to be productive of good results, but these are precisely the companies most likely to have units operating in various States. Under the present bill it will be very difficult for them to carry through a unified policy looking to greater stability of operation.

The neglect of the possibilities of attack upon instability by an industry as a whole on an interstate basis is the more inexplicable in that the whole emphasis of the National Industrial Recovery Administration is upon such an approach. Under the Recovery Act conditions of wages, hours, and other items affecting costs, as well as selling practices and price policies, are regulated upon a national basis. The present bill will introduce confusion and a new principle by regulating costs due to unemployment upon a State basis and will in practice confine efforts to stabilize to what can be accomplished by firms, units of firms, and units of an industry operating within the borders of any given State.

5. IT IS UNNECESSARILY CONSERVATIVE IN MANY RESPECTS

(a) The postponed imposition of the full 3-percent tax is undesirable.

The provision that prior to January 1, 1939, the full 3 percent should be levied only if the Federal Reserve Board's index of production—basis 1923-25—rises as high as 95 seems to be unduly conservative. In view of the improbability that so high a level of production will be attained, the stimulus to the States to act is reduced in two ways.

In the first place, in those States which have insurance plans under way, the contributions visualized have been in the neighborhood of 3 percent, and for the very good reason that a contribution of much less than this amount will afford too little protection to the unemployed to enlist the interest of those who believe that unemployment insurance is a valuable first line of attack upon insecurity due to unemployment. If the Federal bill provides for a tax of

only 1 or 2 percent, employers in these States will receive inadequate protection against unfair competition, the main objective of the bill will have been lost, and the movement in favor of insurance systems in the various States will suffer a serious set-back.

And in the second place, if the tax is only 1 percent, little pressure will be exercised on the already indifferent States to set up schemes so as to regain the taxes paid by their own employers.

(b) A 3 percent tax will provide inadequate protection.

Even if standards were to be written into the existing bill, it is clear that it would be impossible to insist upon standards higher than those indicated by the Committee on Economic Security in its report. A 3 percent tax, even if risks are pooled over the country as a whole, cannot yield on present estimates benefits equal to 50 percent of wages after a 4 weeks' waiting period for more than 14 or 15 weeks.

Yet it is well known that even in normal times the duration of idleness for a considerable proportion of the unemployed is larger than this. In April 1929 in Philadelphia, at the height of prosperity, 50.6 percent of the unemployed had been idle for over 3 months; in April 1931, after only 18 months of depression, the corresponding proportion had risen to 75.5 percent. The contribution made to the total unemployment-relief problem by a benefit system limited to 14 or 15 weeks is thus very slight. The Committee's own estimates indicate that a 4 percent pay-roll tax would provide benefits under similar conditions for 24 weeks.

In order that full advantage should be derived from the existence of an unemployment compensation system that, once set up, is simple and convenient to administer, in order that this mechanism shall materially contribute to the vast problem of unemployment relief, it is suggested that the tax rate be increased to 4 percent.

6. IT IS BADLY DRAFTED AT MANY VITAL POINTS

(a) The bill taxes all pay rolls, regardless of amount of earnings.

As at present drafted the bill covers all employed persons working for an employer with four or more workers, irrespective of the level of their earnings. Taxes would be paid in respect of all employees, including the \$100,000 a year executive. There is nothing to force the States to pay benefits to so wide a group; and in fact, all existing State bills provide for an income limitation. Under the present act, therefore, it is highly improbable that any employer will be able to claim a rebate in respect of Federal taxes paid by him on the earnings of his higher executives, since these will not be covered by the provisions of the State laws.

(b) Section 602b is opposed to the evident intent of the act.

Section 602b is in need of amendment. As it stands no rebate can be claimed by employers contributing to State schemes which make payment of benefit within 2 years after contributions are first made. It is presumably not the intention of the act to encourage postponement of benefit payments and the words "not more than" should be inserted before the words "2 years" on page 36, line 18.

(c) Section 608 is so badly drafted as to lead to misunderstanding and confusion.

The provisions governing the right of employers to obtain additional tax rebates are by no means clear. It is the evident intention of the bill to permit the setting up of separate funds only on condition that at least 1 percent pay-roll tax is paid to the State fund. (See sec. 606, "unemployment fund.") As section 608 now stands, subsections (a) to (d) might be read as alternatives so that the requirement to contribute 1 percent to the State pool could be held not to apply to the schemes described under (b) and (c). And on the other hand, it might be argued that any employer could obtain credit provided only that he has contributed the required 1 percent of his payroll to his State fund. It would avoid confusion and legal disputes if paragraphs (b) to (d) were made special subsections of paragraph (a) instead of as now being made coordinate with that paragraph.

Even the meaning of section 608a is obscure owing to the insertion of an unnecessary comma after the word claimed on line 24, page 48. As now drafted the section could be read to mean that an employer could get additional credit if he had regularly made contributions of at least 1 percent of his pay roll attributable to such State, and is required to continue to contribute an undefined amount to a pooled fund.

7. MORE SATISFACTORY METHODS OF BRINGING ABOUT UNEMPLOYMENT INSURANCE
ARE AVAILABLE

(a) A national system.

Apart from the technical errors in drafting, nothing short of a national scheme would meet all the above objections. This alternative was rejected by the committee for reasons which appeared to them sufficient and obvious, but on which they did not enlarge to any extent. Their preference for a Federal-State scheme cannot have been made on grounds of constitutionality since they recommended a Federal scheme for old-age pensions.

In the main, the committee laid their emphasis upon the greater possibilities for experimentation that would be available under a Federal-State scheme. But again, they failed to indicate the fields in which experimentation would be most fruitful and which had not already been adequately explored in the 24 years in which unemployment-insurance schemes have been in existence in various parts of the world. Nor did they suggest the extent to which experimentation can usefully be carried on by 48 States bound together by close economic ties and constituting essentially a single economic unit, without giving rise to confusion and disorder.

In fact there seem to be but two main problems in unemployment insurance of vital interest to America on which the 24 years of European experience throws little light. The first of these is the extent to which unemployment-insurance schemes could be developed upon an interstate industry basis. The second is the extremely difficult question of the extent to which it is possible to administer on a uniform basis an insurance scheme covering so vast a geographic area as the United States. It is obvious that the present bill, in confining experimentation to individual States, will make impossible precisely the type of experiment of which we are most in need.

Spokesmen from the technical board of the Committee on Economic Security have suggested to members of the Senate Committee on Finance other reasons why a national system was rejected. It has been argued that existing State interest and activity "would be nipped in the bud by passing forthwith a national law, or if it appeared that a national law were in the offing which for one reason or another might not materialize." (Hearings on Economic Security Act, p. 447.) No support was offered for the former of these contentions and it is obvious that the reaction in the States to a Federal law would depend upon the form of that law and its specific provisions, especially in regard to the evolution of administration. And the weight to be attached to the danger that failure of an attempt to pass a national law would set back incipient State activity depends upon the probability that a national bill would be more likely to fail of passage than one on a State-Federal basis. The popular reaction to the security bill suggests that once the administration has decided to embark upon unemployment-insurance legislation there is a real interest in adopting the best technical methods. All criticism of the present title VI has indeed been from this point of view. If the committee had felt that the technical merits of a national plan were superior to those of Federal-State operation, I believe that a program embodying such a scheme would have been more certain of approval than the present proposals.

To some extent it is inevitable that attempts at any kind of Federal action will, during the process of legislation, give rise to uncertainty. And in fact, the present inadequate and ambiguous proposal has had precisely the discouraging effect that the technical board feared from the attempt to provide a national scheme. Because of the failure of the Federal Government to take up a position in regard to essential standards, the movement in many States has already suffered a severe setback.

In the second place you have been informed that a Federal system was discarded because of the "honest disagreement among people who have been particularly concerned with the question with respect to the type of unemployment-insurance bills that should be passed." (Hearings on Economic Security Act, p. 447-8.) Especial reference was made to the conflicts concerning the importance to be attached to plant reserves in place of pooled reserves, a conflict of opinion. I may add, which is yearly assuming less importance in expert circles. It does not follow that a national scheme would preclude the possibility of experimentation along the lines of plant reserves. Indeed, as I have pointed out above, there is reason to believe that the most fruitful experiments along these lines can only be made by a scheme that is fundamentally Federal

in coverage. And it is doubtless because of the importance that they attach to this feature of unemployment insurance that many of our larger industrialists would favor a national scheme which would make possible experimentation on an interstate industry basis. It is indeed curious that the Committee on Economic Security, in view of the obvious disadvantage of a Federal-State measure did not make greater attempts to explore the possibilities of permitting contracting out and merit rating under a Federal system, instead of discarding, with the unsupported assertion that "under a national system no experimentation on a relatively small scale would be possible", a system that was believed by its own experts to be superior.

In the third place you have been told that one of the main weighty considerations leading to the rejection of a Federal system was the fear that "eventually the sources out of which unemployment insurance were paid might be tapped from general Federal revenues if a national bill were passed than would be the case if we had State laws which * * * would be more likely to keep the cost definitely upon industry itself." (Hearings on the Economic Security Act, p. 448.) In regard to this assertion I would submit two comments for your consideration. Firstly, the experience of the two countries which have had the longest history of unemployment insurance suggests that pressure to make the unemployment-insurance fund responsible for more and more of the unemployed and to charge the resulting deficits against the proceeds of general taxation depends entirely upon the adequacy of the alternative kinds of relief available. When the assistance available to those not covered by the insurance system was extremely inadequate and poorly administered, there was tremendous pressure to extend insurance benefits beyond the field originally budgeted for. Since more orderly and adequate methods have been adopted in both England and Germany for dealing in a more uniform manner with those persons not covered by the unemployment-insurance scheme, the pressure on the insurance fund has been relaxed, and in both these countries the insurance funds today are not only solvent but are accumulating a surplus. To avoid a raid upon the Federal funds, therefore, we should not sacrifice an otherwise satisfactory Federal system for one that is inadequate and unworkable from the start, but we should direct attention to the evolution of more satisfactory and more orderly methods of dealing with those not cared for by the strictly limited insurance system.

In the second place, the argument as presented to you by members of the technical board disregards the nature of the unemployment relief problem as a whole. If it is deemed worthwhile to institute a system of financing at least some types of unemployment benefits by taxes upon industry, in order to protect the Federal funds, it is important that the scope of this industry-financed scheme should play at least a significant part in the total relief set-up. As I have indicated above, the only way to insure adoption of a system financed in this way upon any considerable scale is by a national system. Under the scheme as at present proposed, it is true that the Federal funds may not be called upon to finance extended benefits given by the few insurance schemes that will be set up. But the smaller the scope and coverage of the unemployment insurance systems thus set up the greater will be the residual relief burden falling upon the Federal Government to be dealt with on the present hand-to-mouth principles and the greater will be the total vulnerability of Federal funds to raids on account of unemployment assistance.

(b) The subsidy system.

Certainly the reasons given by the committee for rejecting a national scheme did not convince the majority of the experts who have studied this problem. But even if for political or other reasons it were deemed advisable to explore the possibilities of Federal-State cooperation, it is difficult to see why the committee adopted the clumsy and ineffective Wagner-Lewis principle in place of the more convenient method of the Federal subsidy, which was, in fact, recommended to the committee by its own advisory council and by the experts as the next best thing to a national scheme.

Under the subsidy system the Federal pay-roll tax goes directly into the Federal Treasury. The proceeds would then be paid to those States which set up approved unemployment insurance plans. Before any State plan could be approved it would have to comply with the uniform minimum standards of benefits and administration prescribed in the Federal law.

Such a system would avoid the worst consequences likely to follow from adoption of the proposed tax credits method. It would make possible the writing of essential standards into the Federal bill without involving constitu-

tional challenge. By strengthening control of the Federal Government which would itself have control of all the funds, it would make observance of these standards more certain and give assurance that the schemes set up were in fact worthy of the name of unemployment insurance. By providing for only one taxing system, it would enormously simplify administration. Under the subsidy proposal, provision for the worker who moves from State to State could be more easily made.

Only one substantial argument has been urged against the adoption of this more workable procedure. It is held that the necessity of making annual appropriations would introduce an undesirable element of uncertainty into the institution of unemployment-insurance schemes. This fear which is based upon the experience of the grant under the Shepherd-Towner Act, does not seem to be well founded. Unemployment insurance is likely to effect many millions of workers, and it can scarcely be argued that a measure of such vital significance to so large a section of the population would be permitted to lapse by Congress through a failure to vote funds at some future time. The danger would be real only if the systems set up are so insignificant as to command little popular interest.

The further argument that the tax rebate device is to be preferred because, containing no standards, it will more easily secure passage and thus encourage early State action has already been disproved by the facts. It is the absence of standards in the bill which renders it at the present time most open to challenge. In any case, it would seem highly doubtful whether a measure of such importance, embodying so many doubtful features and subject to so much expert criticism would be rushed through Congress with the speed that was anticipated by those who favor a system containing a minimum of standards.

For these reasons I would respectfully urge on the committee the undesirability of enacting title VI into law as it at present stands. Instead of encouraging unemployment insurance, it is likely to postpone the institution of satisfactory schemes of this nature for many years.

(Whereupon at 12 noon the hearing adjourned until 10 a. m. on Saturday, Feb. 16, 1935.)

X

ECONOMIC SECURITY ACT

HEARINGS

BEFORE

THE COMMITTEE ON FINANCE UNITED STATES SENATE

SEVENTY-FOURTH CONGRESS

FIRST SESSION

ON

S. 1130

A BILL TO ALLEVIATE THE HAZARDS OF OLD AGE,
UNEMPLOYMENT, ILLNESS, AND DEPENDENCY,
TO ESTABLISH A SOCIAL INSURANCE BOARD
IN THE DEPARTMENT OF LABOR, TO
RAISE REVENUE, AND FOR
OTHER PURPOSES

PART 11

FEBRUARY 16, 18, 19, AND 20, 1935



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PAT HARRISON, Mississippi, *Chairman*

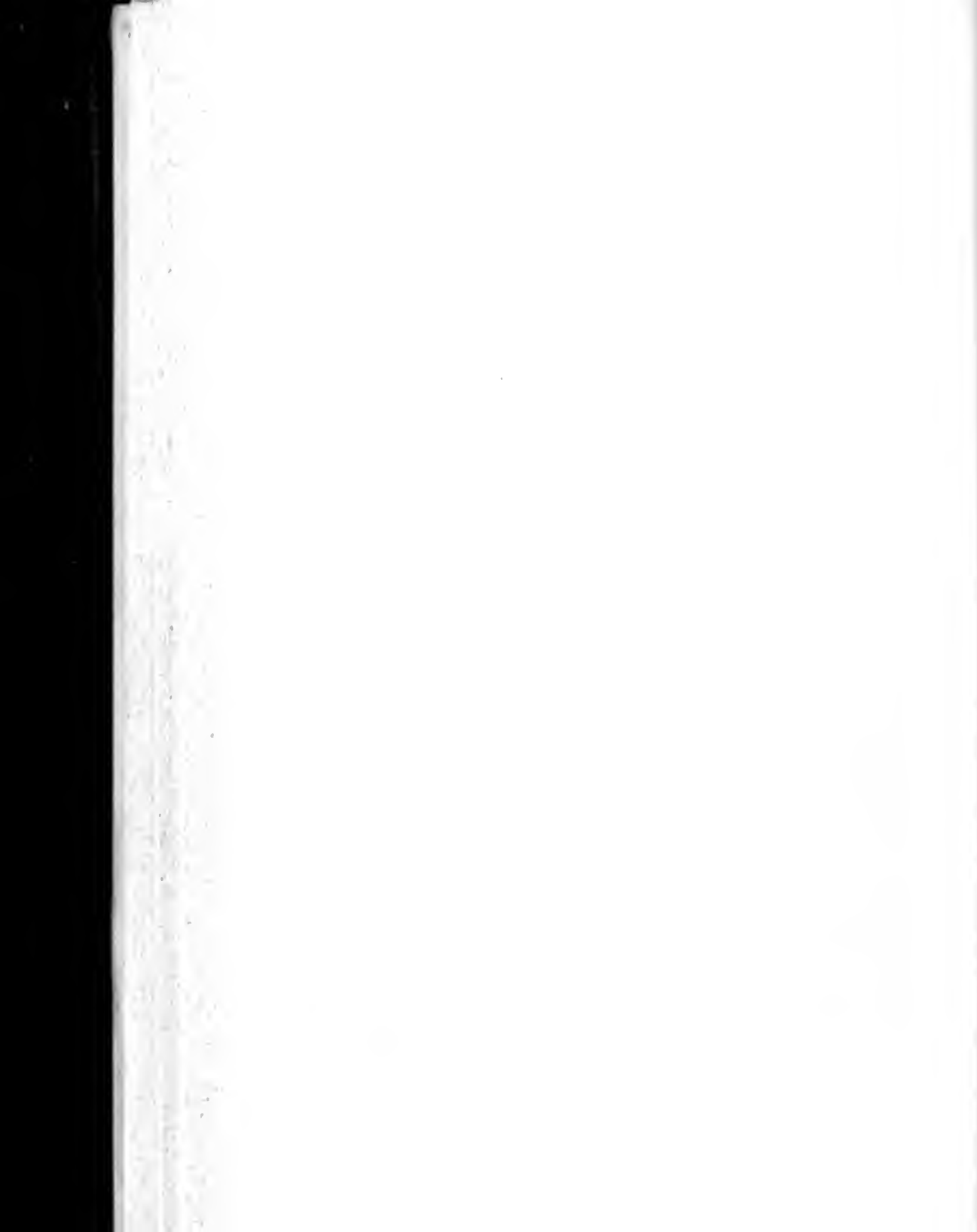
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ECONOMIC SECURITY ACT

SATURDAY, FEBRUARY 16, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met pursuant to adjournment at 10 a. m. in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. All right, Dr. Townsend.

STATEMENT OF DR. F. E. TOWNSEND, PRERESENTING OLD AGE REVOLVING PENSIONS, LTD.

The CHAIRMAN. Doctor, you are on the calendar this morning, and with the exception of one other, Mr. Doane, whom I believe is supposed to be with you, you are the only persons who are on the calendar for today. Just proceed in your own way, Doctor, and the committee will feel free to ask you any questions they may desire.

Dr. TOWNSEND. Mr. Chairman and gentlemen of the committee: I had hoped to have with me Mr. Robert R. Doane, the eminent economist from New York City, who would act in the capacity of verifying my claims that a transactions tax would be probably the best method the United States could adopt at the present time for solving our economic troubles. I received a wire late last night stating that Mr. Doane was quite ill with a sudden attack of influenza or cold and was running a fever, and his doctor advised him not to appear, not to leave his home at the present time. However, he assured us he thought, in all probability, he would be able to appear by Tuesday morning. Now, if it were possible for Mr. Doane to appear before this committee I should like very much to have a postponement of this meeting until he can be with me, because I do not claim to be an economist. I merely claim that I think we have a philosophy which will be acceptable to all of the people at the present time, and which will permit us to raise sufficient money by a method of taxation upon which all of the people will agree, and which will permit us to do certain things.

The CHAIRMAN. Doctor, Mr. Doane was present before the House Committee on Ways and Means, wasn't he?

Dr. TOWNSEND. Yes, sir.

The CHAIRMAN. Well, we can read his testimony, and if Mr. Doane wants to come down later we can hear him. You may just proceed, if you desire to make any statement to the committee, because we are trying to finish at as early a date as possible. We have done

you more kindness than anybody else, because we have given you this morning exclusively.

Dr. TOWNSEND. That is very kind. I appreciate it.

The CHAIRMAN. We can take Mr. Doane on later, if you desire, if he can get here. I think the calendar is already arranged for Monday and Tuesday, but if he desires to come on Wednesday morning and make any explanation of your statements he can do so.

Dr. TOWNSEND. Thank you.

The CHAIRMAN. Just have a seat, Doctor.

Dr. TOWNSEND. May I please request that the cameras be stopped from clicking in my face?

The CHAIRMAN. All right.

Dr. TOWNSEND. It is confusing.

The CHAIRMAN. I do not blame you, Doctor. Just proceed. You may sit down, if you desire.

Dr. TOWNSEND. I rather prefer to stand.

The CHAIRMAN. All right.

Dr. TOWNSEND. Gentlemen, as I just stated, I do not pose as an economist. I have been a physician all my adult life, practically, and my dealing with poverty in all of its various phases has convinced me that poverty is the most expensive and destructive thing that we can maintain as a nation.

For many years I have considered the matter of taxation. I believe a system of taxing property is wrong in principle. I believe it imposes a penalty upon enterprise and industry which we could well do without.

I have also observed the unhappiness and the distress of old age coming upon those who are not in a position to meet the exigencies of old age. I believe that it is a matter which can very easily be adjusted by a rational, modern civilization. Combining my ideas of taxation and this matter of security in old age, I evolved what I deemed to be a simple expedient for removing those menaces from civilization.

I advanced this idea to the people through a form of petition which I drew up, directed to our Congressmen, something like 14 months ago. This petition I had circulated among the voters of California, starting in the city of Long Beach.

The CHAIRMAN. Have you a copy of that petition?

Dr. TOWNSEND. Oh, yes.

The CHAIRMAN. Will you have it put in the record?

Dr. TOWNSEND. We will furnish you that, sir.

The CHAIRMAN. Thank you.

(The petition referred to by Dr. Townsend is as follows:)

DO NOT PAY TO SIGN THIS PETITION

(When this petition is filled return to national headquarters, Arcade Building, Los Angeles, Calif., or your Townsend Club secretary)

To the honorable -----, District -----, State of -----

The undersigned citizens of the United States request you to introduce in the Congress of the United States at your earliest opportunity the following bills and use your utmost effort to obtain their passage into law:

First. A bill obligating the Government of the United States to pay every citizen of said Government whose record is free from habitual criminality and who has attained the age of 60 years a monthly pension of \$200 until the end of his or her life, upon the sole conditions that he or she retire from all further business or profession for gain and agrees, under oath, to spend the entire amount of the pension within the confines of the United States during the current month in which it is received.

Second. A bill creating a Nation-wide Federal transaction sales tax calculated at a rate sufficiently high to produce the revenue necessary to meet the requirements of bill no. 1.

It is obvious that the passage of these acts and the beginning of their operation will discharge the Nation's obligation to a class of her citizens deserving this reward for past services and at the same time place immediate buying power in the hands of the general public, thus stimulating every avenue of commerce and trade. A quick cure for this depression and a sure prevention of recurring ones.

Name	Residence (Street and number)	City or town	Age

Dr. TOWNSEND. This petition met with such instantaneous favorable response that we have continued to pass it out to the voters of the American public, with practically the same results that we obtained in Long Beach, namely, about 90 percent of the voting population sanctioned the appeal made in this position. Wherever the idea is introduced it meets with instantaneous and favorable response, as you perhaps know.

Senator BARKLEY. You realize, Doctor, that you can get signatures to petitions for anything on the face of the earth by passing up and down the street?

Dr. TOWNSEND. Certainly.

Senator BARKLEY. You can have a petition circulated around to hang me day after tomorrow, circulated outside of this building, but that does not mean that I should be hanged.

Dr. TOWNSEND. I presume so, but we will not try it, Senator, at least.

Senator BARKLEY. My point is that we get petitions of all sorts. It is easier for a man to sign a petition than to explain why he will not sign it.

Dr. TOWNSEND. We will let that go.

Senator BARKLEY. I do not think there is any importance attached to the question of petitions. Here is the philosophy which is acceptable to almost every man: We believe that it is the privilege of everyone to purchase his own annuity maturing at the age of 60 years. This is virtually what we propose to do, to enable every individual in the land to purchase this annuity. We know that that idea is going to be acceptable to the people, and we know that they

are going to be willing to pay for it if they can buy it en masse, so that this annuity will not cost them inordinately.

The transaction tax that we are proposing is very successfully used in many European countries at the present time. That is one of the chief reasons why I should like to have Mr. Doane with me this morning.

The CHAIRMAN. Do you know what countries are using the transactions tax?

Dr. TOWNSEND. Canada is using it to a limited extent. Germany is finding it exceedingly successful, and in certain of the other European countries, I am told, it is used as a special means of raising revenues.

Senator COUZENS. Is it not a fact that in Canada it is in the nature of a sales tax rather than a transactions tax?

Dr. TOWNSEND. No; they are using a transactions tax there. They designate it so.

The CHAIRMAN. Is it pyramiding?

Dr. TOWNSEND. It is pyramiding; yes.

Senator BARKLEY. It is a percentage tax based on the amount involved in each transaction?

Dr. TOWNSEND. Yes.

Senator BARKLEY. So it is really a sales tax.

Dr. TOWNSEND. There is a distinction, but there is very little difference. A sales tax has to necessarily be a tax on a transaction. All taxes on transactions of a financial nature are sales taxes.

Senator BARKLEY. So it is a distinction without a difference?

Dr. TOWNSEND. Well, the public conception of a sales tax is a limited transactions tax. That is the only difference.

Senator BARKLEY. It is limited to the transactions provided by law?

Dr. TOWNSEND. It is limited to certain kind of transactions.

Senator BARKLEY. The transactions tax would be unlimited, it would apply to all transactions involving sales?

Dr. TOWNSEND. That is what we propose to do.

Senator BARKLEY. You propose to widen the base and change the name to make it more acceptable to the public?

Dr. TOWNSEND. To make it more comprehensive.

Senator BARKLEY. The name is changed in order to get away from the term "sales tax?"

Dr. TOWNSEND. That is all.

The CHAIRMAN. Doctor, in Canada they have a sales tax. It is not a transactions tax.

Dr. TOWNSEND. I have read that they called it a transactions tax. I haven't made an exhaustive study.

The CHAIRMAN. Doctor, you are mistaken.

Dr. TOWNSEND. Mr. Doane can answer all those questions for you.

Senator COUZENS. Could you give me a simple illustration? Assuming, for instance, that your theory was adopted and an article was selling on the market today for a dollar, what would it sell for after your plan had been adopted?

Dr. TOWNSEND. It would depend altogether on the cost of the raw materials. An illustration of that was given me up in northern New

York last week. A gentleman in Rochester runs a lens-grinding factory for eyeglasses. Now, those glasses sell for a dollar to a retailer. Apparently while that sale would carry a 2 percent tax, when you get back into the raw material, the glass, sand, soda, and materials which are used in the making of glass, the cost is so infinitesimal that only a 2-percent tax would be available, because the tax on the raw materials will run from a decimal point to a long string of ciphers, making the cost so insignificant that a carload of it would carry but very little cost.

Senator COUZENS. It takes the products of a farmer that we can buy for a dollar today, what would it cost, under your scheme, after it had gone through the farmers' hands, the trading, processing, wholesaling, and transportation.

Dr. TOWNSEND. I believe it would not cost any more for this reason: Under this system we are going to vastly augment the business of the country. Any retailer who suddenly finds his business considerably increased, probably doubled or quadrupled, is going to be very hesitant about adding to the cost of commodities to any great extent, for the simple reason that competition will prevail. "Plenty" will be the word of the day, and in a time of plenty competition is going to take care of any advanced costs. These taxes, in many instances, will be absorbed.

The CHAIRMAN. What would you do with a fellow who is on a fixed salary, the white-collar man, so to speak?

Dr. TOWNSEND. We do not propose to tax salaries.

The CHAIRMAN. I know; but he has got to eat, he has got to buy a home to live in, he has got to buy the furniture, and all that stuff, at a greatly increased cost.

Dr. TOWNSEND. The first thing we propose to do to enhance his ability to buy is to vastly increase his pay.

The CHAIRMAN. Your bill does not do that though.

Dr. TOWNSEND. It does not need to be done in the bill.

The CHAIRMAN. You think it will just come of itself?

Dr. TOWNSEND. Certainly it will come; there is no question about it.

Senator COSTIGAN. Dr. Townsend, there appears to have been considerable discussion before the House committee of what is meant by a "transaction." Apparently the McGroarty bill referred to financial transactions which, in the course of the discussion, it was suggested should be commercial transactions. Have you defined the word "transactions" for the purposes of this proposed legislation?

Dr. TOWNSEND. Yes. We have that definition. I do not know if Mr. Cuttle is in the room. Mr. Cuttle has the definition. It was prepared yesterday.

(The definition referred to by Dr. Townsend is as follows:)

Definition of terms, "transaction and gainful pursuit" as used in the McGroarty bill.—The term "transaction" for the purpose of this act shall be defined as the sale, barter, and/or exchange of either or both real or personal property, including the granting of any right, easement, or privilege of commercial value.

The rendering of any services for monetary or other commercially valuable consideration except as hereinafter specified.

Transaction taxes shall be based on commercial value (not necessarily the stated consideration), at the time of transaction.

Gainful pursuit.—The term "gainful pursuit" for the purpose of this act shall be defined as any occupation, profession, calling, or pursuit or combination of same for monetary or other commercially valuable consideration.

Senator COSTIGAN. On what transactions would the tax be placed?

Dr. TOWNSEND. Everything of a financial nature, with the exception of wages and salaries.

Senator COSTIGAN. Not banking transactions, if I understand you, which are merely clearing-house transactions?

Dr. TOWNSEND. Not banking transactions merely as clearing-house transactions; no. That would not involve anything of a commercial nature.

Senator HASTINGS. Doctor, in order that I may get clearly what you mean by the transactions, suppose a municipality was selling a million dollars of bonds to some financial house, the tax on that would be \$20,000, would it?

Dr. TOWNSEND. Yes.

Senator HASTINGS. And then as the bonding house sold the bonds to the public there would be, assuming they sold them at approximately the same price, another \$20,000 tax on them?

Dr. TOWNSEND. Yes.

Senator HASTINGS. So that in a million-dollar transaction of that nature there would be a \$40,000 tax?

Dr. TOWNSEND. Yes, sir.

Senator HASTINGS. All right.

Senator COUZENS. Now, you do not require a means test; in other words, a man does not have to prove that he needs the money?

Dr. TOWNSEND. On this retirement pension?

Senator COUZENS. Yes.

Dr. TOWNSEND. Oh, no.

Senator COUZENS. Everybody gets it regardless of need?

Dr. TOWNSEND. We propose that everybody buy this annuity. The rich man obviously will pay very much more for his retirement fund of \$200 per month than the poor man would, but they will all buy. It will be compulsory.

The CHAIRMAN. Why would the rich man pay more?

Dr. TOWNSEND. Why would the rich man pay more?

The CHAIRMAN. Yes. He does not need much more.

Dr. TOWNSEND. Because he is only buying a \$200 annuity, the same as the poor man, and his expenditures are infinitely greater than those of the poor man, and a 2-percent tax would yield a very much greater return.

The CHAIRMAN. Let me see if I understand your theory. You propose in the bill that every person over 60 years of age shall receive \$200 a month?

Dr. TOWNSEND. Yes; if he chooses. He is not compelled to do so.

The CHAIRMAN. Of course, he is not compelled to do so, but he has the right to receive \$200 a month.

Dr. TOWNSEND. He has a right to receive it.

The CHAIRMAN. Irrespective of whether he is worth a million dollars or worth nothing?

Dr. TOWNSEND. Yes.

The CHAIRMAN. Everybody can get it.

Dr. TOWNSEND. Yes.

The CHAIRMAN. How many persons are there who are over 60 years of age? It is something over 10,000,000, isn't it?

Dr. TOWNSEND. Ten million three hundred thousand in the United States at the present time.

Senator BARKLEY. That was in 1930. The number has increased to about eleven and a half million now.

Dr. TOWNSEND. Reports differ. I am quoting from the census report.

The CHAIRMAN. Your other condition is that if they get the \$200 a month, or \$2,400 a year, they must spend all that money during that month?

Dr. TOWNSEND. Yes; for commodities or for services.

The CHAIRMAN. For commodities or services. Would shooting craps with about six fellows be services?

Dr. TOWNSEND. No, no; that is not services.

The CHAIRMAN. That would not be construed as services?

Dr. TOWNSEND. We propose that this shall be spent for commodities.

The CHAIRMAN. For commodities or for services?

Dr. TOWNSEND. Or for legitimate services.

Senator BARKLEY. That part of it that went to purchasing the craps would be for commodities?

Dr. TOWNSEND. Certainly.

The CHAIRMAN. That would bear the 2-percent tax?

Dr. TOWNSEND. Certainly.

The CHAIRMAN. The way you would raise the money would be by a 2-percent tax on turn-over?

Dr. TOWNSEND. Yes; a 2-percent tax on turn-over.

The CHAIRMAN. What do you assume the 2-percent tax on turn-over to be in the United States?

Dr. TOWNSEND. At the present moment?

The CHAIRMAN. Yes.

Dr. TOWNSEND. It will not run perhaps over \$5,000,000,000 per month.

The CHAIRMAN. Five billion?

Dr. TOWNSEND. At the present time.

The CHAIRMAN. Supposing that everyone who is 60 years of age and over, the 10,000,000 persons, or the 11 and a half million, as suggested by Senator Barkley, supposing they should take this \$200 a month, that would aggregate some \$20,000,000,000 a year?

Dr. TOWNSEND. \$24,000,000,000.

The CHAIRMAN. And on the 2 percent tax, if you get 5 billion, you have got a deficit of 19 billion dollars a year, is that right?

Dr. TOWNSEND. Yes, Senator; but let us stop a moment. It is very obvious that we are not going to be able to put 10,000,000 of old folks on the pension immediately. It took us 2 years to get 4,000,000 soldiers inducted into the Army.

Senator BARKLEY. They had to pass a physical examination and these do not.

Dr. TOWNSEND. Perhaps they would have to pass an examination which would require an equal amount of time.

Senator BARKLEY. The only examination they would pass would be to fill out the application for the \$200.

Dr. TOWNSEND. No, no; you would have to establish your citizenship, your age, and so forth. It would entail a certain amount of quizzing and examination.

Senator CONNALLY. Do you think there would be any trouble in drafting these people to file applications?

Dr. TOWNSEND. No; there would be no trouble in drafting them.

Senator CONNALLY. It took 2 years to put the soldiers in the Army.

Dr. TOWNSEND. I am not suggesting that we will have to draft these old folks. They will have to draft themselves.

The CHAIRMAN. Doctor, do you propose in your bill to set up enlisting stations around the country so the people will have a place in which to enlist?

Dr. TOWNSEND. Yes; just the same as we would set up our polling places, certainly.

The CHAIRMAN. It would be very crowded at first, don't you think?

Dr. TOWNSEND. Possibly; yes.

The CHAIRMAN. What is your estimate of the number of people who would get this \$2,400 in the first year?

Dr. TOWNSEND. It all depends on how we would begin to do this. If we first called for an enrollment of those who were to receive the pension and pay the money directly out of the Treasury, we would vastly increase immediately the volume of business done in this country by the purchases of all these people, for they will be in every community practically in about the same proportion to the entire population, and the augmentation of business, which would accrue from the spending of this money, would probably immediately double the volume of business which we are doing, and it would continue to increase as we continue to increase the list of pensioners. Now, I believe that immediately such a law as this is passed we will at once thaw out the credits of this country and start industries to going from the very fact of the law having been passed. Certainly if the railroads anticipated a great increase of business they would start up building their roadbeds, which are in such a deplorable condition today, they would increase their rolling stock, they would devise every means of handling the great increase of freight and passenger business which they would be called upon to handle, which they would knowingly be called upon to do.

The CHAIRMAN. Do you think it would affect the people who are really working? For instance, we have in my State, in certain districts, about 500 Negroes to 1 white person, in some counties. If they were getting \$200 a month, all of those who are over 60 years of age, do you think they would work any?

Dr. TOWNSEND. I know they would work. If you use the same coercive methods on them that have been used on the Negroes always, they will work. Certainly you people could use the money in your communities down there.

The CHAIRMAN. Does not your bill say that they have got to quit work if they are working?

Dr. TOWNSEND. The old folks?

The CHAIRMAN. I mean those who are 60 years of age or over.

Dr. TOWNSEND. We want them to quit, we want them removed from competition for jobs. That is where we claim we are going to raise the pay for all individuals. We can remove the surplus labor

from the ranks of industry and maintain just enough to carry on those industries. We can regulate that to a nicety by requiring that people desist from competition for jobs and retiring those of 58 or 55, if necessary, keeping the number of actual workers down to a point where they would be in a position to demand the right, certainly, of fair pay.

The CHAIRMAN. Do you believe in families where there are 2 persons over 60 years of age, with a lot of children and where these 2 aged persons would be getting \$400 a month, do you think the children would come in and help them spend it and quit their jobs?

Dr. TOWNSEND. The children are what they are because of environment very largely. Now, the children that we have in the North here—I cannot say so much of your southern population, of course—but the children of the North I know very well are just as ambitious today as they ever were. They would like, of course, to have good clothing, good food, and good shelter presented to them. That is human nature. Nevertheless, those young people are going to want money. They cannot get it through this system. We will not permit the elderly people to hand them money.

Senator CONNALLY. Why could not the old man hire all his boys and pay them for their services?

Dr. TOWNSEND. You can have all sorts of division and that sort of thing, but we do regulate taxes and we regulate social conditions in other ways; so why might not we do this by forming a committee in every county, we will say, to receive complaints; have it specifically understood by all these people who receive the pension what they are to do with it. We must regulate for a time the method which they pursue in following out the instructions which they are given.

The CHAIRMAN. You mean to tell them how to spend the money?

Dr. TOWNSEND. Not how to spend the money, but to tell them how they may not spend the money.

Senator BARKLEY. You would have to have an investigator following everybody around to see whether they were violating the law by spending it for something which was not either commodities or service?

Dr. TOWNSEND. Not at all.

Senator BARKLEY. How would you check up on them?

Dr. TOWNSEND. The pensions paid by the United States Government are now paid in the form of checks and we can have those checks deposited in certain designated banks by the recipients. At the end of every 30 days that bank account will have to show entire deflation and the canceled checks will have to show what was done with the money.

Senator BARKLEY. Suppose the pensioner, instead of checking it, drew it out in money?

Dr. TOWNSEND. We will not permit him to do it.

Senator BARKLEY. You will not permit him to do it?

Dr. TOWNSEND. Not in that manner.

Senator BARKLEY. He can cash a check of his own from that account, cannot he?

Dr. TOWNSEND. According to our bill it would only be 30 percent of the amount of the pension.

Senator BARKLEY. Thirty percent of the amount of the pension?

Dr. TOWNSEND. Yes.

Senator BARKLEY. There is nothing in this bill about that.

Dr. TOWNSEND. Yes; there is.

Senator BARKLEY. He can spend a certain amount for charity and fraternal purposes?

The CHAIRMAN. Fifteen percent.

Dr. TOWNSEND. Fifteen percent.

Senator BARKLEY. I do not recall seeing anything in it which prevents the pensioner from cashing his check at the bank to the full extent of the \$200. Is there anything in the bill that does that?

Dr. TOWNSEND. Not if he designates what he does with the money and can prove that it is for the purposes specified in the bill.

Senator BARKLEY. You provide that the Secretary of the Treasury shall deposit in any bank that is a member of the Federal Insurance Deposit Corporation \$200 to the credit of every person over 60 years of age who qualifies. There is no limitation in the bill as to how he should draw it. It is presumably by check, like anybody else. He has got to draw it all out during the month and spend it.

Dr. TOWNSEND. For commodities or services.

Senator BARKLEY. Yes; for commodities or services.

Dr. TOWNSEND. Yes.

Senator BARKLEY. How are you going to determine that he has spent it for commodities at the end of the month?

Dr. TOWNSEND. The banker will be in position to know.

Senator BARKLEY. How?

Dr. TOWNSEND. It will not be a very difficult thing to ascertain.

Senator BARKLEY. The banker has got to be the inspector for every one of the pensioners who has an account in his bank?

Dr. TOWNSEND. Not necessarily the banker.

Senator BARKLEY. Somebody will have to do the inspecting.

Dr. TOWNSEND. But not necessarily the banker. Everyone who is spending the money, who is known to be the recipient of it, is going to have neighbors immediately about him.

Senator BARKLEY. So the neighbors are going to watch him?

Dr. TOWNSEND. The neighbors are going to watch him, certainly.

Senator BARKLEY. Every neighbor will be an inspector?

Dr. TOWNSEND. Not necessarily.

Senator BARKLEY. So the neighbors will go to the grocery store and ask how John Jones spent that money, and whether it was within the law for him to buy those things, or whether he hired somebody to cut his grass: that is the way that will work?

Dr. TOWNSEND. There will be a few flagrant examples of wrongdoing in this as there are in all laws. There will be certain attempts at evasion. Nevertheless, if a person takes solemn oath to do a thing, if he takes that oath before a Government official, knowing all the while that any violation of that oath will entail a terrific punishment, the cutting off of his future income, he is going to be very chary about how he violates his oath. A few examples in every community would be sufficient to stop any further violations.

Senator BARKLEY. None of this money can be spent for the purchase of real estate?

Dr. TOWNSEND. Yes. Why not?

Senator BARKLEY. Is that a commodity?

Dr. TOWNSEND. Certainly it is a commodity.

Senator BARKLEY. It is not so regarded.

Dr. TOWNSEND. I do not know why it should not be. Why should that not be regarded as such? Nobody is going to buy any tremendous amount of real estate on \$200 a month. He can buy a home.

Senator BARKLEY. You take a couple of old people, a man and wife, who have probably worried along during all their lives on \$200 a month between them and you suddenly require them to spend \$400 a month.

Dr. TOWNSEND. Yes.

Senator BARKLEY. Whether they need it or not; whether they desire anything or not. It might be possible that during the first month or two they will take up a good deal of slack by buying some things they wanted, but over the whole period of the rest of their lives they are compelled, those two people, to spend \$400 a month.

Dr. TOWNSEND. Yes.

Senator BARKLEY. Whether they need anything or not they have got to go out and blow it in for something?

Dr. TOWNSEND. Yes, sir.

Senator BARKLEY. Do you think that is a sound economic plan?

Dr. TOWNSEND. I know it is.

Senator BARKLEY. Upon what do you base your knowledge?

Dr. TOWNSEND. It is the only way in the world that we can bring our consuming ability up to our producing ability.

Senator BARKLEY. You say 7½ million of old people will take advantage of this?

Dr. TOWNSEND. Yes.

Senator BARKLEY. If 10,000,000 of old people take advantage of it, it would cost \$24,000,000,000 a year. That is half of the total income of all the people of the United States at present.

Dr. TOWNSEND. It is now.

Senator BARKLEY. Yes.

Dr. TOWNSEND. It will not be.

Senator BARKLEY. It was about one-third of the income during the peak of our income 4 or 5 years ago.

Dr. TOWNSEND. Senator, let me ask you what creates income? Nothing in the world but demand.

Now, let us have demand, an abundant demand and we shall vastly increase the national income.

Senator BARKLEY. Yes; and you vastly increase the price of everything to those who have any income.

Dr. TOWNSEND. No.

Senator BARKLEY. Because if your plan succeeds so that there is going to be enough demand for anything anybody would want, whether they need it or not, so as to get rid of the \$200 or \$400 a month, as the case might be, you might possibly increase the demand for goods, but that might not be a healthy demand, it might be a squandering of national income rather than the conservation of it, might it not?

Dr. TOWNSEND. Let me suggest to you that there are always two things which militate against the advance in prices. Abundance is one thing and mass production is another. Mass production has come to stay. It is here. We are going to use it because machines are just beginning to be used. We are going to vastly increase the

productive ability of this country from now on through the use of mass production. Now, mass production always has a tendency toward lowering prices. Take the automobile for example. You can buy a better car today for \$800 than you could have bought for \$2,000 just a few years back, all due to mass production. There is never any apparent increase in the cost of commodities in times of plenty. We propose to have a time of plenty, because we know we are qualified to produce that kind. We can do these things with our present technical knowledge and ability.

The CHAIRMAN. Will it have an effect on increasing the price of a Ford automobile?

Dr. TOWNSEND. Beg your pardon?

The CHAIRMAN. Would this increase the cost of a Ford automobile?

Dr. TOWNSEND. No; it will not. It will decrease the cost of a Ford automobile.

The CHAIRMAN. Then you would get it cheaper than you get it for now?

Dr. TOWNSEND. Unquestionably.

The CHAIRMAN. Then you have got to pay a 2-percent tax on every part that enters into it, and on every transaction that enters into the proposition?

Dr. TOWNSEND. Well, now, let me suggest, Henry Ford probably is the great stabilizer of prices in the automobile field today. He owns his iron mines, his glass factories, his leather-upholstery plants, everything that pertains to a car almost Henry Ford supplies himself. He is going to be in a position, if he has a greatly increased demand for cars, to lower that price. Henry's philosophy has always been to create his own market by a vast increase in the price paid for labor so that the laborers themselves might constitute his market.

The CHAIRMAN. Well, let us take a concern—

Dr. TOWNSEND. Just a moment, Senator Harrison, let me finish.

The CHAIRMAN. Go ahead.

Dr. TOWNSEND. If Henry Ford can continuously lower the price of his product, and if General Motors would still be in the competing field, General Motors might have to buy their glass, their iron ore, and everything of that nature, on which there was a tax, but they would have to compete with Henry Ford or cease to sell their product.

Senator COUZENS. So you would automatically build up great corporations and integrate capital so you would have immense organizations to compete with each other?

Dr. TOWNSEND. Why would we do that?

Senator COUZENS. Because General Motors, not owning all the coal mines, iron mines, and steel mills, could not compete with Henry Ford, therefore, they would have to buy up all their coal mines, all their steel facilities, leather plants, and so on, so as to be able to avoid the 2 percent tax.

Senator CONNALLY. The doctor's theory is it will lower the price under those conditions.

Senator COUZENS. I am talking about competition. If the other large corporations proceeded on the plan that the doctor described they would automatically build up the most self-contained corporations, so as to avoid the 2 percent transactions tax.

Dr. TOWNSEND. We will certainly make them pay their proportionate share.

The CHAIRMAN. Doctor, let us take the Standard Oil Co. They own their own oil wells, they own their own pipe lines, they own their own refineries, and so forth, and they own their own service stations. There would not be much of a turn-over with the Standard Oil Co., because they control it, but take the innumerable number of independent oil concerns that have to buy the crude oil, that have to pay for the pipe line and make the arrangements with the service stations, and so forth; isn't your plan giving an advantage to the big fellow over the independent fellow?

Dr. TOWNSEND. It would up to this point, of course. However, they would have to pay their tax, and if they did drive competition out of the field and attempted to raise the price to the consuming public, then competition would again spring up immediately. Certainly this will have a tendency to reduce prices to the consuming public.

Senator BARKLEY. In your testimony before the House Committee on Ways and Means, was not one of your contentions that it would increase prices?

Dr. TOWNSEND. It would increase prices up to a certain point. That will not, perhaps, be as a result of the increased cost of commodities. In a time of activity, monetary activity, we always expect a slight advance in the cost of things. We are willing to pay that. We have done it in the past and liked it.

Senator BARKLEY. Wasn't it your theory, in your testimony before the House Committee, that while it would increase prices by permitting this tax on everything that it touched, that there would be justification in that, on the ground that your theory carried the further problem of increasing the compensation of those who pay the increased prices?

Dr. TOWNSEND. We want to see an increase in the price of commodities to a point where the producer, such as the farmer, can make some money.

Senator BARKLEY. That is getting to the proposition of the farmer. You propose here that every farmer who sells a hog will have to pay a tax of 2 percent of the price of that hog.

Dr. TOWNSEND. Yes.

Senator BARKLEY. The butcher who purchases it or cuts it up into different parts for distribution will collect a 2-percent tax on each piece of that hog that he sells to the public; or if it goes to the packer the packer does the same. No matter how many times it turns over the 2 percent will apply.

Dr. TOWNSEND. Yes.

Senator BARKLEY. If I recall, somebody estimated that every commodity of that sort would turn over an average of about five times before it got to the consumer.

Dr. TOWNSEND. Yes.

Senator BARKLEY. Which would mean a lot of them would turn over much more than five times. Now, your farmer, in order to sell this hog, has got to be licensed by the Government first, he has got to pay a license fee to the Secretary of the Treasury under your plan to sell the hog, and that license fee is to be whatever the Secretary of the Treasury fixes, is that correct?

Dr. TOWNSEND. It might be 10 cents a year; yes.

Senator BARKLEY. So every farmer in the United States, in order to sell what he grows, has got to be licensed by the Government. Which carries with it the privilege of selling what he wants to sell.

Dr. TOWNSEND. For the purpose of registering; that is all. That is the only reason we want a license.

Senator BARKLEY. Well, if it is for the purpose of registering, what is the object of having him register?

Dr. TOWNSEND. So we may collect the tax from him.

Senator BARKLEY. You say the farmer is registered so that the tax may be collected by somebody; and if he does not pay that tax, he is not permitted to sell his hogs?

Dr. TOWNSEND. The seller might be the man to whom we would look to collect the tax. We cannot collect it any place else.

Senator BARKLEY. Your plan contemplates that the Secretary of the Treasury shall issue a license to every farmer in the Nation, for which he might pay whatever fee is fixed; and unless he so registers and is licensed, he cannot sell what he has produced?

Dr. TOWNSEND. We propose to have some measure such as that set up.

Senator BARKLEY. That is true, though; that is a fact?

Dr. TOWNSEND. Yes; that is true.

Senator BARKLEY. You talk about regimentation, which has come into common usage here in the last year or two. That would be regimentation par excellence, would it not?

Dr. TOWNSEND. I do not know what you mean by "regimentation." It is a regulatory law, of course, the same as any other law, applying to all citizens.

Senator BARKLEY. Do you believe the people of this country would ever be reconciled to any provision that required every farmer in this country to register and buy a license before he could sell what he has produced to feed and clothe the world?

Dr. TOWNSEND. If he saw a financial advantage in it to himself I know he would.

Senator BARKLEY. Of course, the question of financial advantage is purely theoretical. Now, while we are on the farmer proposition, let us take this situation: Let us take this couple who have lived on the farm all their lives, they are over 60 years of age, they are alone, their children have all married and left home, and this old couple is on a farm making a fairly good living; they are still young enough to plow and hoe and work—we have increased our longevity in the last generation or two so a man who is now 60 years old, according to the actuaries has about 15 pretty good years left to him. Your bill would pay those two people \$400 a month and would require them to cease any further activity; now what would happen to that farm?

Dr. TOWNSEND. We ask that that farmer hire a manager or hire someone to take his place if he wants to access this pension.

Senator BARKLEY. Would he still have plenty to live on?

Dr. TOWNSEND. Why not?

Senator BARKLEY. Could he help the hired man to do farm work there?

Dr. TOWNSEND. Of course. Why not?

Senator BARKLEY. You say he might withdraw wholly from productive activities?

Dr. TOWNSEND. If he provides a job for one individual to take his place.

Senator BARKLEY. He can help the individual to do farm work?

Dr. TOWNSEND. Why not?

Senator BARKLEY. Because you do not say so in the bill. If he takes on any productive activity in any month, he is not on the pay roll for that month.

Dr. TOWNSEND. Any salaried position he has got to surrender.

Senator BARKLEY. You require the couple to spend the \$400. They probably have not been in the habit of spending that much money. That does not mean they ought not to have more, but how would they go about spending that \$400 a month which, between the two, would be \$4,800 a year? What would they buy with that?

Dr. TOWNSEND. Bless your soul, I could take a man who had ever had a salary of \$200 a month who could answer that without any difficulty whatsoever.

Senator BARKLEY. I am not talking about a salaried man; I am talking about a couple that had a \$200 income a month.

Dr. TOWNSEND. Well, I could suggest innumerable ways in which they could do it. The first thing they would do would be to buy a car, or they would probably rebuild or repair their home, they would refurnish it, they would travel, they would buy books, they would buy things for their children liberally. That is exactly what we want done.

Senator BARKLEY. It is conceivable that for a short time from the beginning they might be able to find a useful expenditure for \$400 a month, but how would they spend it over a period of 5 years or 10 years or 15 years?

Dr. TOWNSEND. Did you ever hear the assertion that as our means increase so do our desires?

Senator BARKLEY. Yes. Sometimes our desires are not wholesome desires and they are not necessarily good for us.

Dr. TOWNSEND. All right. I can assure you that everyone who ever receives \$200 a month, requiring it be spent, will never have any difficulty whatsoever, because if they lack ingenuity and inventiveness in spending that, then all the world they have to do is nudge a neighbor and ask for suggestions, and they certainly will get them.

Senator BARKLEY. Under your plan, if there is a man who has been obtaining a fairly regular income of say \$500 a month, which is more than he needs, and if he spends \$200 a month and puts the other \$300 away in a savings account, he has no natural desires or demands on him beyond \$200 a month, and, therefore, he has not spent the \$300 that he lays aside, do you require him, if he obtains this pension—and all he has got to do is ask for, all he has got to do is prove that he is a citizen and is 60 years of age—can he spend the \$200 that you provide him in the pension and put the entire \$500 of his private income away as a saving?

Dr. TOWNSEND. I presume he could, but he would not.

Senator BARKLEY. How do you know he would not?

Dr. TOWNSEND. It is very obvious to anyone that money laid away does not do anything. You lay it away for a time until you get it invested.

Senator BARKLEY. Unless the banks have loaned it out to somebody. But he would have \$500 a month instead of \$300, and that would not do anything, thereby he would be more inclined, you think, to spend not only the \$200 that you gave him but the \$200 that he has been spending? Is not that \$500 that could do nothing instead of \$300?

Dr. TOWNSEND. I cannot say what the individual will do beyond this: That if he obeys the law, and the law compels him to spend \$200 a month, he is going to do it.

Senator BARKLEY. If he spends the pension and puts away his \$500, he is not increasing the demand for anything; he is not giving anybody a job; he is not increasing the turnover of commodities; he is simply taking advantage of the Government's pension to meet his normal demands of \$200 a month, and he is permitted to lay aside \$500 to lie idle instead of \$300. That is true, isn't it?

Dr. TOWNSEND. There are plenty of misers, of course, who hoard every penny they get. Most people gave it up with the idea of buying something with their savings, and a great percentage will do so.

Senator BARKLEY. Or hand it down to their children.

Dr. TOWNSEND. If the children get it you know it is going to be spent.

Senator BARKLEY. If the children happened to be around 30 or 40, of course, there might be some incentive for the aged couple to put away \$500 a month instead of \$300, to pass it down to their children before they would arrive at the age of 60 and get along on the \$200.

Dr. TOWNSEND. Suppose savings did become general in the United States, suppose money came easy so most everybody could supply their needs readily; suppose they had good positions with good pay; is that going to increase the tendency, do you think, to accumulate? We are thereby going to establish security in this world. If we retire these old folks, that is going to militate strongly against the idea of saving and accumulating.

Senator CONNALLY. Are you against that idea? Are you against saving money?

Dr. TOWNSEND. Yes; I am.

Senator CONNALLY. You are opposed to that?

Dr. TOWNSEND. Absolutely. I think it is wrong in principle. Money should not be used as a means of storing wealth.

Senator CONNALLY. Somebody is going to get it. If you give it to these old people, somebody is bound to take it away from them. Somebody else will get it.

Dr. TOWNSEND. Somebody might hoard it, but the freer money is used in the country, the less inclination there is to accumulate, hoard, and save.

Senator BARKLEY. Your position is that in addition to all the money that is now spent for services there will be \$2,400 a year more spent.

Dr. TOWNSEND. Yes; there will be \$2,400 a year more spent. It will be spent up, that is all.

Senator BARKLEY. It will be spent?

Dr. TOWNSEND. Yes.

Senator BARKLEY. We will spend the same volume of money?

Dr. TOWNSEND. We will spend the same volume of money that we have now but it will circulate faster.

Senator BARKLEY. So everybody who has money, including Henry Ford, will not only spend all he is now spending but he will spend the other \$200 a month that you are giving him?

Dr. TOWNSEND. He will have to spend the \$200 that we are giving him.

Senator BARKLEY. He will not substitute one for the other and lay aside more of his private savings?

Dr. TOWNSEND. I claim it does not make any difference.

Senator BARKLEY. It would make a good deal of difference if they do not spend the extra \$200 for commodities so as to create a demand for more commodities and more labor.

Dr. TOWNSEND. The \$200 a month is not going to mean anything to Henry Ford one way or the other.

Senator BLACK. He would get it, would he not, Doctor?

Dr. TOWNSEND. If he wanted to apply for it.

Senator BLACK. Henry Ford and J. P. Morgan could get the \$200 if they applied for it?

Dr. TOWNSEND. Yes; and if they wanted to place somebody in their position to manage their business for them.

The CHAIRMAN. In that case how would you know whether they were spending the \$200 that they got from the Government or whether they were spending \$200 from their own private funds?

Dr. TOWNSEND. I do not care in the least.

Senator CONNALLY. Doctor, would Henry not only get the \$200 a month from the Government, if he wanted to, but also get most of the other \$200 a month?

Dr. TOWNSEND. He would get a lot of them.

Senator CONNALLY. You just stated that these old people would buy a car.

Dr. TOWNSEND. Yes. Henry Ford would get a lot of them. There is no reason in the world why we cannot make Henry support this retirement fund.

Senator BARKLEY. Do you think Henry can support this entire load?

Dr. TOWNSEND. He can support a lot of it, and he would unquestionably support a lot of it.

Senator CONNOLLY. You figure 2 percent on all of the turn-overs?

Dr. TOWNSEND. To start with, and certainly we will reduce it to one-half of 1 percent.

Senator CONNALLY. You say it will take \$24,000,000.000 a year. Have you figured what the turn-over would have to be in this country?

Dr. TOWNSEND. Yes.

Senator CONNALLY. It would have to be one trillion, two hundred billion, wouldn't it?

Dr. TOWNSEND. Yes; we can do that because we have already done it.

Senator BARKLEY. That did not include turn-over in only the purchase of commodities; that included all sorts of transactions, so far as it is possible to judge them, with respect to banks. There is no real authority in this country as to how much the turn-over has been

or what our income is a year. You have taken your figures from the statement made in the Wall Street Journal published by Dow, Jones & Co., I suppose.

Dr. TOWNSEND. Yes.

Senator BARKLEY. You do not know how authoritative that is. It is just an estimate. It is taken from reports made by 141 member banks in the United States without regard to all the other banks in the country.

Dr. TOWNSEND. Yes.

Senator BARKLEY. So it is just a guess.

Dr. TOWNSEND. Well, you know it is a very conservative guess, because the rest of the banks were not represented in the list.

Senator BARKLEY. So it is just a guess.

Dr. TOWNSEND. Well, it is a very conservative guess, because the rest of the banks were not represented in the list.

Senator BARKLEY. That is not only the checks given in payment of commodities, but it may have included every check given for Government bonds, real-estate transactions, payment of interest, payment of life-insurance premiums, and everything.

Dr. TOWNSEND. Were not those transactions?

Senator BARKLEY. They were transactions, but it does not mean the purchase of commodities.

Dr. TOWNSEND. A bond is a commodity.

Senator BARKLEY. No, no.

Dr. TOWNSEND. Why not?

Senator BARKLEY. The doctor knows a bond is not a commodity.

Dr. TOWNSEND. It is a piece of paper representing wealth.

Senator BARKLEY. It is a piece of paper representing an obligation of some kind. A commodity, as we understand the term "commodity" is something you can use, like corn, wheat, hogs, cattle, wagons, automobiles, a suit of clothes, and so forth.

Dr. TOWNSEND. No, no. We propose to include stock and bonds as commodities.

Senator BARKLEY. If you include stock and bonds and all checks given for stocks and bonds, and interest, I think in your guess of one trillion two hundred billion you will reduce the actual turnover in the purchase of commodities to about 400 billions instead of 1,200 billions of dollars.

Dr. TOWNSEND. Even with the increase of the ability of the people to buy, eh? I think you are mistaken.

Senator COUZENS. Do you publish this Townsend Weekly?

Dr. TOWNSEND. Yes; I do.

Senator COUZENS. Do you keep any accounts of the income and expenditures of this organization?

Dr. TOWNSEND. Absolutely.

Senator COUZENS. What has been your total income to date?

Dr. TOWNSEND. I could not give it to you at the moment, but it is less than \$50,000.

Senator COUZENS. You mean that is all you have collected?

Dr. TOWNSEND. That is all we have collected from any source.

Senator COUZENS. How much have you spent?

Dr. TOWNSEND. About \$45,000, I judge.

Senator COUZENS. In getting all these petitions you spent that much?

Dr. TOWNSEND. That is all voluntary work. We have not paid a cent for it.

Senator CONNALLY. In reference to your agents who go out to organized clubs, how do they get influence in the community in which they organize clubs?

Dr. TOWNSEND. We have had as high as six agents at one time on a salary. We pay a few of them \$50 a week, and their traveling expenses.

Senator CONNALLY. Why were you hiring them on a salary?

Dr. TOWNSEND. Because it is very apparent that we cannot get them to go out and serve without pay.

Senator CONNALLY. How do you pay them? Do you pay them out of the book sales?

Dr. TOWNSEND. Yes; we pay them out of the book sales.

The CHAIRMAN. Doctor, I wanted to ask you a series of questions that I have put down in writing.

Senator HASTINGS. Mr. Chairman, may I ask just one question before you start?

The CHAIRMAN. Yes.

Senator HASTINGS. Doctor, I would like to know if you have given any consideration to the practicability of paying a lesser sum to two people who live together? For instance, would it not be a little more practical if you provided \$200 a month for a single person that is aged and \$300 for the married people living together? Would that interfere with your theory and your plan?

Dr. TOWNSEND. It would interfere with the plan to this extent, that the more you cut the pension the less buying ability the people will have.

Senator HASTINGS. Do not you think you might cut that \$100 a month to the married people without destroying your plan?

Dr. TOWNSEND. I do not. I think it would be suicidal for us to do so.

Senator COUZENS. The way you look at it, you think it is a better plan because it would encourage the sale of marriage licenses, is that right?

Dr. TOWNSEND. I should hope so.

Senator BARKLEY. Not beyond 60.

Dr. TOWNSEND. You cannot tell about that, sir.

Senator BARKLEY. Let me ask him this question, Senator, before you proceed with your questions.

The CHAIRMAN. Yes.

Senator BARKLEY. According to your plan we will say that 10,000,000 of old people take advantage of it, and there are 130,000,000 people in this country; that means that this \$24,000,000,000 a year would have to be paid by the remaining 120 millions. That represents about 28,000,000 families, on the average, which would mean each family would be taxed \$88 a month to raise this enormous amount of money to be paid to these pensioners. Do you not know that the average income of the families of the United States today is less than \$88 a month?

Dr. TOWNSEND. Yes; I know that.

Senator BARKLEY. So that your plan calls for a tax to be collected from the nonpensioners greater than their present income?

Dr. TOWNSEND. We, of course, do not propose to have the present national income remain static. We think it is utter folly. I want you to consider what we are paying now. If you consider the amount of money that is now paid out in pensions of various sorts throughout the country, with the terrific cost of maintaining poor-houses, poor farms, and relief agencies of all descriptions, you will find, gentlemen, that that could all be credited on our side of the ledger and it would reduce tremendously the cost of this pension system which we are proposing.

The CHAIRMAN. You make certain exceptions in your bill as to pensions, though. The disabled soldiers, for instance, that get pensions, you except them, don't you?

Dr. TOWNSEND. Yes; but they could very readily be persuaded, I am sure, to exchange those pensions for a \$200 pension.

The CHAIRMAN. Is that so?

Dr. TOWNSEND. Yes.

Senator BLACK. Doctor, may I ask you one question in connection with what Senator Barkley asked you? As I understand it, your idea is to increase the national income per individual.

Dr. TOWNSEND. Why, certainly, for all concerned.

Senator BLACK. As I recall it, there are 10,000,000 people that make less than \$500 a year; I know there is a very large number. Do you think it is fair for them to pay a sales tax in order to pension Mr. Rockefeller and Mr. Ford?

Dr. TOWNSEND. It would not be fair if we did not increase their ability to pay, but that is what we propose to do.

Senator BLACK. Let us assume they are under 65 years of age, or under 60 years of age.

Dr. TOWNSEND. Yes, certainly.

Senator BLACK. Let us assume that you put a sales tax on every piece of meat they buy, that they pay 2 percent to the farmer, 2 percent to the packer, 2 percent to the wholesaler, 2 percent to the broker, and 2 percent to the retailer; by that time these \$500-a-year people and those who make less than that have a pretty good tax to pay, do not they?

Dr. TOWNSEND. Cannot you see that if we increase the general ability of the people to buy we are going to vastly increase the amount of business done, and the number of jobs and we are going to increase the ability of people to demand big pay?

Senator BLACK. I can understand your theory, I think, but I do not see how this is going to give the people that are already underpaid and getting too small an amount of the national income, any increase in their part of the income. It does not aid them any to pay Mr. Rockefeller and Mr. Ford a pension out of their meager earnings.

Dr. TOWNSEND. Our idea is to take the burden of paying this tax out of the class of those who are getting meager pay and putting it in the class where it belongs.

Senator BLACK. Do you propose to raise their wages by law?

Dr. TOWNSEND. We do not have to. We will put the workers in a position, as I said a few minutes ago, to demand adequate pay, as they did during the war time, when the number of workers in the country was vastly reduced. The boys carried a hod in silk shirts costing \$12 apiece.

Senator BLACK. Even then a lot were drawing very meager wages all over the Nation. Statistics show that even then millions of them were drawing far less than a living income.

Dr. TOWNSEND. Yes; in the slums of our big cities where there was no opportunity, of course.

Senator BLACK. Sure; but we still have the slums here.

Dr. TOWNSEND. No, we will not; we will abolish the slums immediately.

Senator BLACK. Do you think you will abolish the slums by paying Mr. Ford, Mr. Rockefeller, and the people who do not have to pay taxes, a salary?

Dr. TOWNSEND. There are only four Rockefellers in the country.

Senator BLACK. There are many others who draw a large income.

Dr. TOWNSEND. There are some old folks who will draw \$200 a month who probably might not need it, but I can assure you there will not be many of them compared with the number of old people who will need it.

Senator BLACK. What about the young people who make over \$500 a year?

Dr. TOWNSEND. They will work to create new homes, do new things for the people who are able to buy.

Senator BLACK. If it is your idea, Doctor, to help the poor people, why do you propose to put the tax on the poor people in the main? Everybody that knows anything about the sales tax knows it is paid by the poor people who have the least.

Dr. TOWNSEND. Let me ask you, Why do you permit the tax to be placed on the poor people, anyway? The poor people pay the tax today, anyway.

Senator BLACK. The tax should be placed on those who have the ability to pay it. I am opposed to any sales tax to pension Rockefeller, Morgan, or anybody else in that class.

Dr. TOWNSEND. You cannot conceive of a tax that does not fall on the poor today.

Senator BLACK. Yes; you can.

Dr. TOWNSEND. No; you cannot. The poor always carry the burden.

Senator BLACK. Your objective, you said, is to raise the income of the underprivileged and underpaid?

Dr. TOWNSEND. Yes, sir.

Senator BLACK. And you propose to do that by putting a tax on the underprivileged and underpaid, because in the main the sales tax will be paid by them, if it applies to necessities. You propose to put a tax on the underprivileged and underpaid to raise the standard of the underprivileged and underpaid.

Dr. TOWNSEND. And we propose to make the rich man pay on the things that are not necessities, and pay liberally.

Senator COUZENS. Isn't it a fact, Doctor, that you really have in mind a creation for the demand of labor to such an extent that the wages will automatically go up?

Dr. TOWNSEND. Certainly. They have always done it in the past.

Senator HASTINGS. Under your theory, the man now getting \$600, for instance, will be relieved by finding a better job, a job that will pay him \$1,200, and therefore he can pay out \$300 of it in a tax if necessary?

Dr. TOWNSEND. There isn't any question about the tax being an insignificant thing, because we will at least be able to double any wages that are now existing.

The CHAIRMAN. The \$24,000,000,000 is an insignificant thing, annually?

Dr. TOWNSEND. Pardon me?

The CHAIRMAN. Do you think that \$24,000,000,000, the cost of the tax, is an insignificant thing?

Dr. TOWNSEND. Why, it is not an insignificant thing, of course, but we are expending and using \$24,000,000,000 a year, and that is all in the world we want to do. If 10,000,000 old people retire we shall only need \$2,000,000,000, that is all. We shall very likely revolve that amount of money continuously, collect it and disburse it.

Senator GEORGE. Doctor, how many people over 60 years of age are gainfully employed?

Dr. TOWNSEND. It is estimated about four million or four and a half million are gainfully employed. These are the figures of the last census.

Senator GEORGE. Four and a half million people are gainfully employed?

Dr. TOWNSEND. Yes.

Senator COUZENS. Have you suggested anything about raising the minimum, or raising the limit to 75 years? I saw in the press that you had in view the changing of your proposal to 75 years instead of 60 years.

Dr. TOWNSEND. No. I was misquoted entirely.

Senator COUZENS. You do not propose to do that?

Dr. TOWNSEND. No.

The CHAIRMAN. Doctor, if it is such a good thing for those who are 60 years of age and over, and it is going to bring such prosperity because of that, why do not you make the age limit 40 or 50 years?

Dr. TOWNSEND. Because 60 years old is merely a starting point. We do not know definitely how soon we shall have to reduce that to 40 or 50. Unquestionably, if our productive ability advances as it has in the past 25 years, the time is surely coming when we will have to retire people of the age of 50, for we are destined to have an unemployed army on our hands, and that is an army of people never again needed in the ranks of industry. Now, I claim it is nothing but common sense for us to segregate this army, remove the old from competition for the jobs. We will immediately create about 4 million of jobs by the retirement of these old folks.

Under this \$200 a month or \$2,400 a year is required. It has been actuarially proven that it requires about \$2,500 permanently invested in business to create and maintain a job at good pay for one individual. That is the reason for \$200 per month, that is one of the main reasons. If this retired army, expending \$200 a month, creates a job for one individual, we shall immediately have all of the available laborers at work in the entire country.

Senator BARKLEY. Do you know what is the average income of the 4,000,000 over 60 who are now gainfully employed?

Dr. TOWNSEND. Pardon me?

Senator BARKLEY. What is the average annual income of the four and a half million people who are now gainfully employed, who are above 60 years of age?

Dr. TOWNSEND. I could not say that, but you know it is very low.

Senator BARKLEY. Do you think that by the elimination of those four and a half million, and according to your theory drawing into their places four and a half million people under 60 years of age, would offer a sufficient inducement to employ all the four and a half million who would be drawn into it at this low pay?

Dr. TOWNSEND. It would certainly look good to people who cannot get a job of any kind today.

Senator BARKLEY. I believe your theory is that all of the ten and a half million or eleven million and a half people over 60 years of age will not apply for pensions.

Dr. TOWNSEND. I know they will not.

Senator BARKLEY. You say, I believe, that seven and a half million or eight million people will?

Dr. TOWNSEND. In all probability that will be the limit.

Senator BARKLEY. So instead of it being 24 billions you say it will be 18 billions to 20 billions of dollars?

Dr. TOWNSEND. Yes.

Senator BARKLEY. Now, you say that this tax will raise 5 billions to begin with. How do you propose to raise the other 13 or 14 billions that would be necessary to pay this pension?

Dr. TOWNSEND. Gentlemen, the moment this law is passed there will be a great acceleration of business. That acceleration of business, that immediate basis of taxation, at 2 percent, will roll into the Treasury very much more than 5 billions immediately. Just as soon as we can get these people on the pay roll then the volume of business transactions in this country will vastly increase.

Senator BARKLEY. Do you realize the amount of income received in practically every State from the sales tax has been less than that estimated by the proponents?

Dr. TOWNSEND. Well, you are talking about present-day conditions. Present-day conditions are not going to exist continuously.

Senator BARKLEY. Those taxes for the most part have been based on present-day conditions. The sales taxes, which have been adopted by nearly 30 States, came about because of the decline in revenue from real estate and other sources, isn't that so?

Dr. TOWNSEND. Yes.

Senator BARKLEY. And those estimates have all been based on the present conditions. I know in my State they passed a 3 percent sales tax which applies to everything—food, clothing, and everything else.

Dr. TOWNSEND. It is a retail-trade tax, isn't it?

Senator BARKLEY. Yes. It means every time you buy anything, whether it is a meal, a room at a hotel, a suit of clothes, an automobile, or a plow, you have got to pay the 3-percent tax.

Dr. TOWNSEND. Yes.

Senator BARKLEY. I noticed in the press a day or two ago that the amount of income derived from that 3-percent tax is anywhere from 25 percent to 50 percent less than that which was estimated by the legislature when it was enacted. So have you made allowances for the possibility that your figures, which are based upon an immediate resurgence of the velocity of transactions until you get back to your 1 trillion 200 million, have you made allowances for the fact that it

may not work out, and if it does not work out, the treasurer has got to find the difference somewhere?

Dr. TOWNSEND. The treasurer has got to find all differences. Here we are proposing to take 4 billion 800 million dollars out of the Treasury, or out of the borrowing ability of the United States, and dissipating it how? We propose to dissipate about 2 billion dollars of that money, we will say, in retiring 10 million old folks; we propose to put it in a place where it will do some good to the people, where it will restore buying power to the people, scatter it throughout the United States, not dump it in great lots here and there, which cannot benefit anyone.

I ask you gentlemen to consider why prosperity is in the District of Columbia. Why is it that prices are high here and business activity strong? It is for the simple reason that money is available. There are lots of people on the pay roll. There is no other reason in the world. Now, let us make that principle applicable to the whole country. Instead of wasting money in great lots here and there, which cannot benefit anybody except those in the immediate vicinity, let us disseminate it over the United States. We have got to do something with the army of unemployed.

Senator CONNALLY. Would not the best way to do that be to put everybody on the pay roll?

Dr. TOWNSEND. That is exactly what we are having to do.

Senator BARKLEY. Your ultimate admission, then, is to put everybody in the United States on the pay roll of the Government?

Dr. TOWNSEND. Why not?

Senator BARKLEY. Why do it?

Dr. TOWNSEND. Why do it?

Senator BARKLEY. Yes.

Dr. TOWNSEND. In order that we may live decently, in order that we may eliminate poverty.

Senator BARKLEY. You mean that everybody in the country is to be on the pay roll of the Government?

Senator HASTINGS. Senator, I do not think the doctor understood you.

Dr. TOWNSEND. I do not mean the Government pay roll, of course, I mean a pay roll of some sort.

Senator BARKLEY. You illustrated it by making a statement about the District of Columbia. They are all on the pay roll of the Government here.

Dr. TOWNSEND. They are not all on the Government pay roll. There are clerks and others here in the District of Columbia who are not on the Government pay roll.

Senator BARKLEY. The only thing that makes Washington different, if it is different, from any other city is because of the large number of people here who are on the Government pay roll. You cannot copy that situation in every city in the United States, however.

Dr. TOWNSEND. If you do not know that the conditions are different here in Washington from what they are in other parts of the country I wish you would travel with me a while.

Senator BARKLEY. I know, of course, that this is not a manufacturing city, it is purely a residential city. Most people in Washington depend, either directly or indirectly, on the Government. You cannot duplicate that situation in every city in the United States.

Dr. TOWNSEND. I know that, my dear Senator, as well as you do. I am asserting that because of the dissemination of money here, through the Government pay rolls, that business has come to all of the stores, all the institutions in this District of Columbia, and for no other reason. If it were not for this great pay roll, we would not have any prosperity in the District of Columbia, any more than in St. Louis or any place else.

Senator CONNALLY. Doctor, have you contemplated the question of printing new money?

Dr. TOWNSEND. I did not get that.

Senator CONNALLY. Have you given any consideration to the question of printing this new money, to pay them off with new money?

Dr. TOWNSEND. Yes. That would be absurd. There is no sense in that. We do not need it. We have all the money we need. All we need to do is to circulate it.

Senator BLACK. Doctor, may I ask you this question in connection with these underprivileged and underpaid people. I understand the chief objective is to circulate the money. I think all of us will agree that if a circulating medium is accelerated, if it is speeded up, it tends to improve business. Let us take those who have a small income. Your object is to raise the income, isn't it?

Dr. TOWNSEND. Yes.

Senator BLACK. Why would not it be fair to them to raise their income directly instead of indirectly? Why should not we, if we are going to raise this huge sum from a sales tax, or partly from it, instead of distributing it to only a limited few in the old-age brackets, why should not we give them back enough of that money to raise their income to a reasonable amount, thereby insuring the fact that they are going to have their income increased?

Dr. TOWNSEND. Then you are going to leave it to some individual or group of individuals to say what that shall be. We do not propose to do that at all.

Senator BLACK. You agree that \$500 is not a living income, don't you?

Dr. TOWNSEND. \$500 a year?

Senator BLACK. Yes.

Dr. TOWNSEND. Certainly.

Senator BLACK. Or that \$1,000 is not a living income?

Dr. TOWNSEND. It is not.

Senator BLACK. And \$1,500 is not. Everybody would agree on that, would not they?

Dr. TOWNSEND. Yes.

Senator BLACK. If we are going to have a sales tax on all the people, why not provide, then, that instead of giving some money to the older people that we shall supplement everybody's income that is under \$1,500 a year, so that it reaches \$1,500 or more? Would not that be fair to them, and would not that practically guarantee to them this income that you claim, and that all of us think they ought to have, in order to buy the goods produced by industry?

Dr. TOWNSEND. It would be a ridiculous idea to attempt to do that.

Senator BLACK. Why is it any more ridiculous to give it to them than it is to give it to the older people? Do not they need it as badly?

Dr. TOWNSEND. These older people have earned this retirement; they have created all the wealth that exists practically in the country today. They have given all of this to the rising generation and they should receive a better consideration than the others.

Senator BLACK. Let us agree on that.

Dr. TOWNSEND. All right.

Senator BLACK. Is not it also true that a man who is young now and who is producing all the wealth that must be used by the old people and the young people is entitled to have a decent wage?

Dr. TOWNSEND. We are going to give it to him.

Senator BLACK. You are going to give it to him indirectly, but if you are going to give it to him indirectly—and some of us do not think it would work that way if you put on the sales tax—have you considered the plan of guaranteeing him the wage out of the sum that he helps to create?

Dr. TOWNSEND. There is no way in the world you could guarantee it.

Senator BLACK. Could not you provide that everybody who had an income under a certain amount should get a pension, enough to raise it to the amount that you are going to give to the old people, \$200 a month?

Dr. TOWNSEND. We are going to put it in the hands of labor, who demands it, and I will venture they will get it.

Senator BLACK. They have been saying that all through the centuries, that labor would do it, but it never has.

Dr. TOWNSEND. Our plan has never yet been tried, sir.

Senator BLACK. Why limit it to people of old age; why guarantee it to the men and women who have worked in the past? You have considered that, no doubt. Have you considered guaranteeing \$200 a month to the younger people, who are contributing and who will contribute to pay Mr. Ford and Mr. Morgan a pension, the money for which is to come from a sales tax?

Dr. TOWNSEND. Have you got your plan for that purpose?

Senator BLACK. I am asking you. You are the one who has the plan. Your plan is, you say, to raise the wages of these people.

Dr. TOWNSEND. Yes.

Senator BLACK. You propose to do it by taking out those who have worked, you favor an old-age pension to those who are over 60 years of age, you propose to guarantee them \$200 a month, hoping that indirectly these people with incomes under \$1,500 will be compensated for their sales tax by an increased wage. Why would not it be fair, if you are going to guarantee \$200 a month to some, why would not it be fair to guarantee \$200 a month to all?

Dr. TOWNSEND. Because we could not do it; that is the reason why.

Senator BLACK. You could not do it?

Dr. TOWNSEND. No.

Senator BLACK. Why could you not do it? If you can guarantee \$200 a month to a man over 60 years of age, why could you not guarantee \$200 a month to a man 30 years of age who is busily engaged in working long hours for small pay?

Dr. TOWNSEND. For the simple reason there are too many of them.

Senator BLACK. There are too many of them?

Dr. TOWNSEND. Yes.

Senator BLACK. You propose that they get it indirectly.

Dr. TOWNSEND. We propose to shift the burden of taxation which we are now carrying to a group of individuals where it would do the people some good.

Senator BLACK. Yes.

Dr. TOWNSEND. We are probably carrying a burden of \$2,000,000,000 a month now for maintaining wholesale pauperism in the United States. That is ridiculous in a land of plenty. We are not going to have that condition prevail.

Senator BLACK. We all agree to that. You propose to guarantee \$200 a month only to those who are over 60 years of age.

Dr. TOWNSEND. All right.

Senator BLACK. Why should we not also consider the millions of people who are working every day and who do not get \$200 a month? Is it fair to impose a sales tax on them when you do not guarantee that they will get \$200 a month?

Dr. TOWNSEND. We can guarantee it by the increase of business which will be available to all the people.

Senator BLACK. That is a disputed point, as to whether or not it would do it. It would not be disputed if you put it in the bill that out of the huge sales tax all the workers also would get \$200 a month. That would be direct and positive legislative assurance.

Dr. TOWNSEND. We could not do it. It is impossible. There is no use talking about it.

Senator BLACK. Then you admit there is a point where you cannot guarantee they will get \$200 a month, and you propose to give some of them \$200 a month for their past work and you are disinclined to give \$200 a month to those who produce the wealth that raises the \$200 for those who do not work.

Dr. TOWNSEND. You could not do it, it is very apparent, without starting the printing presses and increasing the vast circulating medium.

Senator BLACK. If we can produce a billion, three hundred million, could we not produce two billion, three hundred million dollars?

Dr. TOWNSEND. We shall.

Senator BLACK. Why not begin now, why not give the underprivileged and underpaid workers, many of whom are eking out a bare existence with three or four hundred dollars a year, why should not we tell them that we are going to take care of them just like we are taking care of those who have worked in the past?

Dr. TOWNSEND. Now Senator, you are building up something in your imagination that there is no reason for considering.

Senator BLACK. That is not an imagination, that there are millions of people that are not making a decent living, is it?

Dr. TOWNSEND. We do not propose that condition to prevail.

Senator BLACK. You do not propose to guarantee that it shall not prevail.

Dr. TOWNSEND. It is not necessary for us to guarantee that it shall not prevail. They guarantee it themselves.

Senator BLACK. They guarantee it by paying a sales tax to support somebody else at \$200 a month.

Dr. TOWNSEND. Yes, sir; that will do it, by guaranteeing a circulation of money.

Senator BARKLEY. They will look forward 15 or 20 years hence to getting that \$200 a month?

Senator BLACK. If they can get the \$200 a month.

Dr. TOWNSEND. Do not forget that we will abolish the \$500 a year limit.

Senator BLACK. If they are going to do it anyway, why don't you provide it in your bill?

Dr. TOWNSEND. It is not necessary. That should be obvious to any thinking man.

Senator BLACK. It would be obvious if he pays a sales tax on his meat, his bread, his biscuits, and his clothes, to pay \$200 a month to some other people.

Dr. TOWNSEND. Why, if he has a job that is paying 100 percent better than his present-day job: yes.

Senator BLACK. May I ask you if this gentleman is associated with you?

Dr. TOWNSEND. He is.

Senator BLACK. What salary does he get?

Dr. TOWNSEND. He does not get any salary. He gets his expenses of \$50 a week.

Senator BLACK. He just gets his expenses which amount to \$50 a week?

Dr. TOWNSEND. Yes.

Senator BLACK. Do you call that a salary?

Dr. TOWNSEND. You can call it a salary, but he pays his expenses out of it.

Senator CONNALLY. That is \$200 a month.

The CHAIRMAN. Doctor, why was it that you stated before the House Ways and Means Committee that this 2 percent turnover tax would get \$24,000,000,000 a year, and you now intimate to the committee that you will probably only receive a little over \$5,000,000,000 a year? What has caused you to change your mind about that?

Dr. TOWNSEND. I did not change my mind about that at all. It is very obvious, Mr. Chairman, that we cannot put 8,000,000 or 7,000,000 old folks on the pension roll immediately, and as a consequence of the slowness of getting them on the pension roll the full volume of transactions due to their spending is not going to be felt for maybe 2 or 3 years.

The CHAIRMAN. As I understand it, then, you do think it would raise \$24,000,000,000 a year in 2 or 3 years, but in the beginning it will probably not be over 5 billion?

Dr. TOWNSEND. We probably would not be able to get all of the people on the pension roll, either.

The CHAIRMAN. Do you know just how much is raised by Germany through the 2-percent turn-over tax?

Dr. TOWNSEND. I could not give you that. That is one reason why I would like very much to have Mr. Doane with me.

The CHAIRMAN. I am going to give it to you from the reports. It is \$249,000,000 a year.

Dr. TOWNSEND. \$249,000,000?

The CHAIRMAN. \$249,000,000 a year.

Dr. TOWNSEND. Do you know how all embracing that transactions tax is?

The CHAIRMAN. I know the reports show they have a 2-percent turn-over tax, and that is the amount that was raised. In France last year they had a turn-over tax of 2 percent and they raised \$301,000,000. I am just wondering if your figures are not incorrect.

Dr. TOWNSEND. Well, now, Mr. Doane, who is an economist, will be down here the first part of the week, and he can explain that to you.

The CHAIRMAN. Is he on your board of strategy?

Dr. TOWNSEND. No; he is the man whom we employed to give us this report.

The CHAIRMAN. What do you pay him?

Dr. TOWNSEND. We have simply paid him a certain sum of money for this report.

The CHAIRMAN. How much?

Dr. TOWNSEND. \$201.

The CHAIRMAN. \$201?

Dr. TOWNSEND. Yes.

The CHAIRMAN. Have you promised to pay him more?

Senator CONNALLY. That is \$200 for old age and \$1 for the report.

The CHAIRMAN. Have you promised to pay him more than the \$200?

Dr. TOWNSEND. I will leave that to my treasurer.

Mr. CLEMENTS. We pay the expenses when he comes down.

Dr. TOWNSEND. And \$50 a day for his services.

The CHAIRMAN. Now, Doctor, I want to ask you a series of questions about your organization, because it has been quite alive and has stirred up quite a lot of discussion.

Dr. TOWNSEND. Certainly.

The CHAIRMAN. And probably some anxiety on the part of certain people in public office, a lot of people who are over 60 years of age.

Dr. TOWNSEND. We appreciate that.

The CHAIRMAN. Senator Couzens asked you about the Official Townsend Weekly that is published in Washington.

Dr. TOWNSEND. It is published in Los Angeles, Calif.

The CHAIRMAN. How long has it been set up?

Dr. TOWNSEND. I think that is the fourth issue.

The CHAIRMAN. It is the fourth issue?

Dr. TOWNSEND. Yes.

The CHAIRMAN. I notice in red type "Full text of Townsend bill. McGroarty introduces bill approved by strategy board."

Who was on the strategy board?

Dr. TOWNSEND. I could not name them offhand. We have a list of them.

The CHAIRMAN. What are we to understand by the strategy board?

Dr. TOWNSEND. It is an advisory committee of eminent citizens of Los Angeles and vicinity.

The CHAIRMAN. You are on that board?

Dr. TOWNSEND. I am the president of the board——

The CHAIRMAN. Not on the strategy board?

Dr. TOWNSEND. No; I am not on the strategy board. I am the president of the organization of Old Age Revolving Pensions, Inc.

The CHAIRMAN. What do you mean by "strategy board"?

Dr. TOWNSEND. Well, the best methods of getting our idea before the public and getting the approval of the public, including the Senate.

The CHAIRMAN. Propagandizing the public?

Dr. TOWNSEND. Certainly.

Senator BARKLEY. As well as Congress.

Dr. TOWNSEND. As well as Congress.

The CHAIRMAN. And one of the first steps was the introduction of this bill?

Dr. TOWNSEND. Yes.

The CHAIRMAN. This paper, what circulation did you say it had, the Townsend Weekly?

Dr. TOWNSEND. I do not know what it is now. I think about 75,000 copies of that issue were sold.

The CHAIRMAN. This is the last issue of Monday, January 28, 1935, that is the last, is it?

Dr. TOWNSEND. There was one subsequent to that.

The CHAIRMAN. How many of the last issue were sold?

Dr. TOWNSEND. I do not know. They printed 75,000, I think, of the last issue.

The CHAIRMAN. You sell them for 5 cents a copy?

Dr. TOWNSEND. Yes.

The CHAIRMAN. How do you sell them? Do you sell them through agencies over the country or do you send them through the mail?

Dr. TOWNSEND. Usually through the clubs that are formed throughout the country.

The CHAIRMAN. Now, those clubs that are formed throughout the country, how many of those clubs are there?

Dr. TOWNSEND. Some 3,000 of them at the present time.

The CHAIRMAN. Some 3,000?

Dr. TOWNSEND. Yes.

The CHAIRMAN. How do you get the clubs organized? Do you send out agents to interest the people, or is by letters?

Dr. TOWNSEND. By letters. Inquiries come in as to how to organize these clubs from the various communities and we send them out in sections by mail.

The CHAIRMAN. This organization is incorporated, is it not?

Dr. TOWNSEND. It is; yes, sir; under the laws of California.

The CHAIRMAN. And it is called the "Old Age Revolving Pensions, Ltd."?

Dr. TOWNSEND. Yes, sir.

The CHAIRMAN. Organized under the laws of California?

Dr. TOWNSEND. Yes.

The CHAIRMAN. Will you put into the record the articles of incorporation?

Dr. TOWNSEND. We can; yes.

The CHAIRMAN. You have no objection to doing it?

Dr. TOWNSEND. No objection.

(The articles of incorporation of the Old Age Revolving Pensions, Ltd., are as follows:)

STATE OF CALIFORNIA,
Department of State:

I, Frank C. Jordan, secretary of state of the State of California, do hereby certify that I have carefully compared the transcript to which this certificate is attached, with the record on file in my office, of which it purports to be a copy, and that the same is a full, true, and correct copy thereof. I further certify that this authentication is in due form and by the proper officer.

In witness whereof I have hereunto set my hand and have caused the great seal of the State of California to be affixed hereto this 24th day of January 1934.

[SEAL]

FRANK C. JORDAN, *Secretary of State.*

By FRANK H. CORY, *Deputy.*

(Endorsement: No. 57143, Los Angeles County, Calif., articles of incorporation of Old Age Revolving Pensions, Ltd.)

ARTICLES OF INCORPORATION OF OLD AGE REVOLVING PENSIONS, LTD.

Know all men by these presents:

I

The name of this corporation is Old Age Revolving Pension, Ltd.

II

The purposes for which this corporation is formed are—

(a) To promote and secure by means of education and every other means the adoption, by the United States Government and the various States thereof, of plans and laws providing for the pensioning of its citizens, and to secure improvements in plans and laws, and to obtain an effectual and efficient operation thereof; and, for such purposes, to acquire by purchase, gift, or otherwise, real and personal property of every nature whatsoever, and to enter into, make, perform, and carry out contracts of every kind for any lawful purpose, without limit as to the amount with any person, firm, association, or corporation.

(b) To promote, or aid, in any manner, financially or otherwise, any person, corporation, or association engaged in any similar purpose, or of which any shares, bonds, notes, debentures, or other securities, or evidences of indebtedness, are held directly, or indirectly, by this corporation.

(c) To borrow money, issue bonds, notes, debentures, or other obligations of this corporation from time to time for any of the objects or purposes of this corporation, and to secure the same by mortgage, pledge, deed of trust, or otherwise, or to issue the same unsecured.

(d) To carry on any business whatsoever which this corporation may deem proper or convenient for any of the foregoing purposes, or otherwise, or which may be calculated, directly or indirectly, to promote the interests of this corporation.

(e) To have and to exercise all the powers conferred by the laws of the State of California upon corporations formed under the laws pursuant to and under which this corporation is formed, as such laws are now in effect or may at any time hereafter be amended.

The foregoing statement of purposes shall be construed as a statement of both purposes and powers, and the purposes and powers stated in each clause shall, except where otherwise expressed, be in no wise limited or restricted by reference to or inference from the terms or provisions of any other clause, and shall be regarded as independent purposes.

III

This corporation is formed under the general nonprofit corporation law of the State of California and is formed pursuant to the provisions of article 1, title 12, part 4 of division 1 of the Civil Code of the State of California, and for purposes other than pecuniary profit; and said corporation does not contemplate gain or profit to the members thereof.

IV

The county in the State of California where the principal office for the transaction of business for this corporation is to be located is Los Angeles County.

V

The board of directors of this corporation shall be three, and the names and addresses of the persons who are appointed to act as the first directors of this corporation are F. E. Townsend, Long Beach, Calif.; Walter L. Townsend, Hollywood, Calif., and Robert E. Clements, Long Beach, Calif.

VI

The number of directors of this corporation may be changed from time to time by bylaws of this corporation adopted or amended from time to time, and authority to change the number of directors by bylaws of this corporation is hereby expressly authorized.

VII

The membership of said corporation shall consist of the incorporators and those who shall hereafter be admitted to membership, pursuant to the bylaws of this corporation.

In witness whereof, for the purpose of forming this corporation as a nonprofit corporation, under the laws of the State of California, we, the undersigned, constituting the incorporators of this corporation, and the persons named hereinabove as the first directors of this corporation, have executed these articles of incorporation this 15th day of January 1934.

F. E. TOWNSEND,
WALTER L. TOWNSEND,
ROBERT E. CLEMENTS.

STATE OF CALIFORNIA,
County of Los Angeles, ss.:

On this 15th day of January 1934 before me, Sara Wingenfield, a notary public in and for the county of Los Angeles, State of California, duly commissioned and sworn, personally appeared F. E. Townsend, Walter L. Townsend, and Robert E. Clements, known to me to be the persons whose names are subscribed to the foregoing articles of incorporation, and acknowledged to me that they executed the same.

Witness my hand and official seal.

[SEAL.]

SARA WINGENFIELD,
*Notary Public in and for the County of
Los Angeles, State of California.*

Endorsed: No. 157104, 57143.

Endorsed: Filed in the office of the secretary of state of the State of California, January 24, 1934.

FRANK C. JORDAN, *Secretary of State,*
By CHAS. J. HAGERTY, *Deputy.*

Filed February 6, 1934.

L. E. LAMPTON, *County Clerk.*
By F. E. MORGAN, *Deputy.*

No. 57143 (CORP.)

STATE OF CALIFORNIA,
County of Los Angeles, ss.:

I, L. E. Lampton, county clerk and ex-officio clerk of the superior court within and for the county and State aforesaid, do hereby certify the foregoing to be a full, true, and correct copy of the articles of incorporation of Old Age Revolving Pensions, Ltd. (as certified by secretary of state of the State of California) as the same appears of record, and that I have carefully compared the same with the certified copy.

In witness whereof I have hereunto set my hand and affixed the seal of the superior court this 31st day of January 1935.

L. E. LAMPTON, *County Clerk.*
By G. F. COOPER, *Deputy.*

[SEAL.]

Senator BARKLEY. Why do you call it "Limited"?

Dr. TOWNSEND. I do not know.

Mr. CLEMENTS. Shall I answer that?

Dr. TOWNSEND. Yes.

Mr. CLEMENTS. Being an eleemosynary corporation, the liabilities are limited to the assets of the corporation.

Senator BARKLEY. What are the assets?

Mr. CLEMENTS. The assets of the corporation vary from time to time, of course.

Seantor BARKLEY. Has it any capital stock?

Mr. CLEMENTS. No capital stock. It is not necessary to have capital stock for an eleemosynary corporation in California.

The CHAIRMAN. So there was no money put into it by the incorporators, then?

Dr. TOWNSEND. Very little.

The CHAIRMAN. How much?

Dr. TOWNSEND. Perhaps a hundred dollars or so.

The CHAIRMAN. Who put that hundred dollars in?

Dr. TOWNSEND. I did.

The CHAIRMAN. Now, your main office is at Los Angeles?

Dr. TOWNSEND. Yes.

The CHAIRMAN. How many branch offices have you?

Dr. TOWNSEND. We have no branch office to this corporation.

The CHAIRMAN. None at all?

Dr. TOWNSEND. No.

The CHAIRMAN. You have agencies established all over the country?

Dr. TOWNSEND. No.

The CHAIRMAN. None at all?

Dr. TOWNSEND. We have no agencies. These "clubs," so called, are independent organizations.

The CHAIRMAN. Yes. What are the membership fees or dues?

Dr. TOWNSEND. There are no regular dues. We get the people together and request them to put in 25 cents, for which we give them one of our propaganda booklets, which retails for 25 cents.

The CHAIRMAN. Are any dues paid after that?

Dr. TOWNSEND. None whatever.

The CHAIRMAN. That is all it costs to join this organization?

Dr. TOWNSEND. That is all.

The CHAIRMAN. Then they are supposed to help in the propagandizing of the country?

Dr. TOWNSEND. Yes.

Senator BARKLEY. Who is eligible?

Dr. TOWNSEND. Pardon me?

Senator BARKLEY. Who is eligible for membership?

Dr. TOWNSEND. Anybody who can vote.

Senator BARKLEY. So it is not limited to those over 60 years of age?

Dr. TOWNSEND. Oh, bless you, no. Forty, fifty, or sixty percent of our signers are below 60.

Senator BARKLEY. You have about 3,000 organizations?

Dr. TOWNSEND. Approximately that, I think.

Senator BARKLEY. What is the average membership?

Dr. TOWNSEND. I could not tell you that. They run as high as 1,200 in certain organizations, or I guess as high as 2,600 in certain organizations. One hundred is the minimum.

Senator BARKLEY. And you claim how many total members?

Dr. TOWNSEND. The total number of members in the clubs?

The CHAIRMAN. How many paid-up subscribers?

Dr. TOWNSEND. Well, I suppose you could probably average them at 150 to the club.

Senator GERRY. How much does your book cost to get out, that you sell for 25 cents?

Dr. TOWNSEND. Around 2 cents.

The CHAIRMAN. How many paid-up subscribers are there in the organization?

Dr. TOWNSEND. Well, figuring 3,000 times 150, that would just about give it.

The CHAIRMAN. That is about 1,500,000, is it?

Dr. TOWNSEND. Oh, no; it is 450,000.

The CHAIRMAN. Paid-up subscribers?

Dr. TOWNSEND. Yes.

The CHAIRMAN. And they pay 25 cents each, is that right?

Dr. TOWNSEND. Yes.

The CHAIRMAN. Now, what has become of that money?

Dr. TOWNSEND. We started this club organization work at 12½ cents and probably about half of them went on the 12½-cent basis. Then it was agreed that we raise it to 25 cents.

Senator BARKLEY. Was that 12½ cents paid in money?

Dr. TOWNSEND. Here is a report, gentlemen, of all the moneys that we received, according to a certified accountant, and all of the disbursements.

The CHAIRMAN. That is brought up to date?

Dr. TOWNSEND. This one was issued on January 30, 1934.

The CHAIRMAN. All right, put it in the record.

Dr. TOWNSEND. That is January 30, 1934, to October 31, 1934, inclusive.

Senator CONNALLY. It does not show last November?

The CHAIRMAN. This shows the total receipts to be \$37,893.58, total disbursements of \$28,058.59, and a balance of \$9,834.99.

Dr. TOWNSEND. We have since then made another audit. The other audit will be out now in a few days. It is in the process of being made now, so that will include what we have done since.

(The statement referred to by Dr. Townsend is as follows:)

Receipts and disbursements Old Age Revolving Pensions, Ltd., clubs and extension accounts Jan. 30, 1934, to Oct. 31, 1934

Balance on hand Jan. 30, 1934-----	\$7. 89
Receipts:	
Old-age revolving pensions:	
Petitions, books, literature, etc-----	\$9, 591. 64
Donations, memberships, collections, etc-----	2, 025. 30
Accounts, receivable-----	7, 442. 36
Contributions (extension account)-----	1, 119. 00
Subscriptions, refunds, etc-----	1, 347. 12
	<hr/> 21, 525. 42
Clubs:	
Dues, books, literature, etc-----	7, 701. 30
Refunds, etc-----	455. 33
	<hr/> 8, 156. 63
Extension:	
Donations, club-----	1, 327. 40
Mass meetings, radio contributions, collections, etc-----	6, 876. 24
	<hr/> 8, 203. 64
Total receipts-----	<hr/> 37, 893. 58

Disbursements:

Old-age revolving pensions:

Salaries	\$2, 252. 58
Rent and rentals	663. 18
Postage and express	1, 714. 91
Utilities	159. 15
Printing	5, 466. 71
Buttons	112. 61
Organizers and organization expense	7, 388. 77
Legal	84. 70
Advertising	205. 15
Janitor	54. 75
Office supplies	649. 06
Taxes	167. 71
Miscellaneous	357. 60
Telephone and telegrams	140. 94
Commissions	706. 13
Refunds	117. 34
Accounts payable	741. 21
	<hr/> \$20, 982. 50

Clubs:

Organizers and organization expense	1, 345. 36
Modern crusader	997. 00
Salaries	219. 98
Printing	392. 07
Furniture and fixtures	125. 00
Postage	32. 64
Rentals	17. 04
Refunds	19. 38
Miscellaneous	19. 30
	<hr/> 3, 167. 77

Extension:

Organizers and organization expense	2, 369. 61
Public meetings	851. 68
Printing	177. 05
Radio	508. 75
Miscellaneous	1. 23
	<hr/> 3, 908. 32

Total disbursements 28, 058. 59

Balance (accounted for as follows) 9, 834. 99

Citizens' State Bank, Long Beach 9, 767. 30

Stamps and petty cash 67. 69

9, 834. 99

I hereby certify that the above statement of receipts and disbursements of the Old Age Revolving Pensions, Ltd., Townsend Clubs, and extension accounts for the period January 30, 1934, to October 31, 1934, is true and correct to the best of my knowledge and belief.

RAY S. McALLISTER,
Certified Public Accountant.

Senator BARKLEY. Do you have organizers out throughout the country?

Dr. TOWNSEND. We have two or three out now. We haven't been able to employ many of them.

Senator BARKLEY. When you want to organize a club, or clubs, in any community, who takes charge of that?

Dr. TOWNSEND. The people themselves take charge. They elect their own representative, their own secretary, and their own president.

Senator BARKLEY. Does anybody in this locality get any part of the 25 cents for looking after the organization?

Dr. TOWNSEND. Not unless they establish some organization themselves for raising the money in their own territory.

Senator BARKLEY. They do not get any part of your quarter?

Dr. TOWNSEND. No.

Senator CONNALLY. Who is Will D. Scott?

Dr. TOWNSEND. He is one of our organizers.

Senator CONNALLY. What salary does he draw?

Dr. TOWNSEND. He is getting \$25 a week and his expenses.

Senator CONNALLY. Now, he is down in my State—down in Texas now—and I have some newspaper reports from down there.

Senator BARKLEY. He must be a member of the strategy board.

Senator CAPPER. Does the report show how the money is spent?

The CHAIRMAN. Yes; it is itemized.

Senator CONNALLY. It says:

Jasper, Ala., will be visited by Scott next week to push organization in order to get Senator John H. Bankhead in line. Jasper is Bankhead's home.

Was he sent there at your direction to do so?

Dr. TOWNSEND. I haven't had the direction of these men at all.

Senator CONNALLY. You are the president of the organization, aren't you? This is the board of strategy.

Dr. TOWNSEND. I delegate all of this sort of work to others.

Senator CONNALLY. It also says:

Organization of Townsend clubs is being pushed in the Dallas area and in the Abilene section in order to show Congressmen Hatton W. Summers of Dallas, and Tom L. Blanton of Abilene, that their constituents demand the legislation, Mr. Scott said. He was at the Adolphus Hotel Saturday contacting local leaders.

Scott was little concerned over what he admitted the opposition of President Roosevelt to the Townsend plan. He said that the President "is going to do what the people want him to do." Petitions for the plan now have 20,000,000 signatures, he declared, and the number will be 35,000,000 to 40,000,000 by June.

"We have enough Congressmen signed up to bring the bill up for vote", Scott said. "It's going to be bad for some Congressmen and Senators if the bill doesn't pass. All we want is a fair and square hearing and no gag rule imposed. There has been much misinterpretation of the plan in newspapers, but that is going to make no difference."

Dallas has 78 Townsend clubs, averaging 100 members each, and 20 in course of organization, Scott stated. Surrounding towns have two to three clubs. Houston has 32 clubs, and 31 more are being formed, he said.

"All of our efforts in behalf of the Townsend plan are being carried on in orderly fashion", Scott said. "It is simply a question of getting Members of Congress to follow the wishes of their constituents."

"An organized minority can whip an unorganized majority, and we are organized."

That is from one of your organizers. Do you approve those sentiments?

Dr. TOWNSEND. He has probably exaggerated the number of Congressmen that they have signed up. I do not know whether any of them have been signed up.

Senator CONNALLY. He says. "We have enough Congressmen signed up." How do you sign up a Congressman?

Dr. TOWNSEND. I wish you would tell me.

Senator CONNALLY. Does he go before a notary public and sign a pledge?

Dr. TOWNSEND. I say I wish you would tell me.

Senator CONNALLY. Your man here says you have already enough Congressmen signed up.

Dr. TOWNSEND. Well, the man is mistaken.

Senator BARKLEY. That would not be a financial transaction that would bear the 2-percent tax, would it?

Dr. TOWNSEND. I do not think so.

The CHAIRMAN. Are there any other contributions to these clubs that you organize over the country?

Dr. TOWNSEND. Contributions from the clubs?

The CHAIRMAN. To the clubs. I am just trying to get whether there is any other source of revenue to your organization.

Dr. TOWNSEND. Yes; there has been a suggestion which has raised some money for maintaining our expenses here in Washington. We have made an appeal to the clubs to raise a certain amount of money.

The CHAIRMAN. How much has been raised from that source?

Dr. TOWNSEND. About \$11,000.

The CHAIRMAN. Is that included in this report?

Dr. TOWNSEND. No, sir.

The CHAIRMAN. Why not?

Mr. CLEMENTS. Pardon me, Mr. Chairman, I would like to answer that. The doctor is not at all familiar with that part of it.

Senator COUZENS. Give your name to the reporter.

Mr. CLEMENTS. Robert E. Clements.

The CHAIRMAN. Are you on the board of strategy, Mr. Clements?

Mr. CLEMENTS. No, sir; I am secretary and treasurer of the corporation.

The CHAIRMAN. Do not forget to put into the record the composition of that board of strategy. (List of names to be submitted later in record.)

Dr. TOWNSEND. All right.

Senator BLACK. Mr. Chairman, has he been sworn?

The CHAIRMAN. None of the witnesses have been sworn.

Senator WALSH. Let him make a statement about the money.

The CHAIRMAN. Go ahead.

Mr. CLEMENTS. You want to know what funds have been raised by the clubs outside of their initial purchase of a booklet?

The CHAIRMAN. From any source, I do not care which. It would seem to me that this proposition has gotten a lot of money somewhere. We just want to know the sources from which you receive the money, and how much.

Mr. CLEMENTS. If you will pardon me, Senator, you say "a lot of money." I do not understand just how much you mean by "a lot of money." We have taken in approximately \$50,000, and we have spent approximately \$40,000. There is an audit in process now by a certified public accountant who is in no wise connected with the organization. It will give a certified public accountant's audit up to January 1, 1935. The statement that you have gives the last audit, which brought our audit up to November 1, 1934. It was rushed in here and was just received this morning, since the session commenced.

Senator BARKLEY. Do not your books show you much you received up to the first of February, we will say?

Mr. CLEMENTS. Admittedly, and if the committee so wishes it, we will have that prepared for you. We will be very glad to have that figure brought right up to date on a trial balance.

Senator BARKLEY. Your propaganda and your activities have evidently intensified since the first of November. An audit up to the first of November does not show a very true picture.

Mr. CLEMENTS. As I just stated, we will have an audit here very shortly up to the first of January, if that is sufficient, but if not, we will be only too happy to wire and have it brought right up to date.

Senator CONNALLY. You are the treasurer, you know how much money has been taken in, roughly, in all. Can you tell us, approximately, what it is?

Mr. CLEMENTS. Approximately. I have been away from Los Angeles, from the Los Angeles office, for sometime.

Senator CONNALLY. Do you know or not?

Mr. CLEMENT. I do not know exactly.

Senator CONNALLY. About how much would you say?

Mr. CLEMENTS. I stated approximately \$50,000 has been received and approximately \$40,000 has been spent.

The CHAIRMAN. If there are some other sources of contribution, we would like to have you tell us about them, other than the fees and dues that have come in.

Mr. CLEMENTS. That is what I asked you, if you wanted to know what had come from the clubs besides the original purchase of the booklet.

The CHAIRMAN. You say you cannot give us any information about that?

Mr. CLEMENTS. Yes, sir.

The CHAIRMAN. Give it to us, then.

Mr. CLEMENTS. I understood that was not what you wanted.

The CHAIRMAN. Yes.

Mr. CLEMENTS. The amount that they collected so far by donations from various clubs to maintain an office in Washington, and for expenses, no salaries, outside of the stenographic help and necessary professional help like Mr. Doane, that has been something over \$11,000, I should say, approximately \$11,000. That is up to date.

The CHAIRMAN. That is coming in all the time?

Mr. CLEMENTS. The thought was we would need to maintain the office here for possibly the full length of the congressional session, approximately \$21,000. That was the estimate.

The CHAIRMAN. So, as I understand it, these gentlemen, when they join as members of this organization, they pay 25 cents down—they formerly paid 12½ cents—and in addition to that they are called on for contributions by the club to help run the office here; is that right?

Mr. CLEMENTS. Not exactly, Senator. There has never been any set contribution asked for from anyone joining the Townsend Club. They are requested to evidence their interest in the movement by the purchase of a book. If they do not care to purchase the book, they can become members just the same.

Senator COUZENS. What does the book cost?

Mr. CLEMENTS. Twenty-five cents, the retail sales price of it. The book itself costs 1.6 cents.

Senator COUZENS. Have you any direct contributions from citizens mailed in here on behalf of the fund outside of the clubs?

Mr. CLEMENTS. There have been, I should say, four or five, ranging from \$1 to \$10, and those contributions are immediately sent back to Los Angeles to be receipted for in Los Angeles, and are put in the fund which is for this specific purpose, and no other purpose.

Senator COUZENS. I observe in the financial statement that you have filed here, among your assets is "Accounts receivable, \$7,442.36." What do you mean by "Accounts receivable"?

Mr. CLEMENTS. That is consignments of literature, booklets, that have been sent out to various people on consignment, trusting that they would sell them and return the money.

The CHAIRMAN. Do you have any financial arrangements with any retail merchants in connection with the advertising campaign?

Mr. CLEMENTS. The advertising campaign? Just what do you mean, Senator?

The CHAIRMAN. Do you have any arrangements with anyone who is advertising either in this paper or otherwise, that will get you some contributions?

Mr. CLEMENTS. No. There is, however, an association of merchants and manufacturers on the Pacific coast which have stated their willingness to repurchase on some kind of a basis, I do not know the exact figure, it varies, the labels and containers of their product as an advertising feature. That, I believe, you will notice in the Townsend Weekly under what is known as the "Cooperative division." The members of clubs, or other people, save the labels off of a soap package, or the cap of a bottle, or some container, as evidence of purchase, and those manufacturers are pleased to rebate to the cooperative department a certain percent of the wholesale price of that product.

The CHAIRMAN. In other words, the membership of your organization are encouraged to buy from certain merchants?

Mr. CLEMENTS. Not at all, sir.

The CHAIRMAN. If they do buy from a certain merchant, and they send in the label as some evidence that they have bought this particular product, then they get a kind of a rebate, or the organization gets something from this particular merchant, is that it?

Mr. CLEMENTS. Not at all, Senator, if you will pardon me.

The CHAIRMAN. I do not understand it, then.

Mr. CLEMENTS. They are not merchants at all, they are manufacturers that manufacture a specialized product. For instance, I think the Los Angeles Soap Co. redeem wrappers on their soap, the same as they are offering in all magazines all over the United States. You save the container and send it in and you get a prize, or a new package, or something of that character.

The CHAIRMAN. So then you have a separate organization that does encourage your membership to buy certain articles of people with whom you have an arrangement such as that?

Mr. CLEMENTS. It is a separate division of the same organization.

The CHAIRMAN. And how much money have you obtained from that source?

Mr. CLEMENTS. The labels have only recently been compiled and returned to their various sources, and the amount has not yet been estimated.

The CHAIRMAN. Have you any other scheme of operation that might obtain some money for this organization to carry on this propaganda?

Mr. CLEMENTS. No schemes; no.

The CHAIRMAN. Well, any other plans? I apologize to you for saying "schemes."

Mr. CLEMENTS. I do not know that we have any plans on foot other than the sale of our literature to finance this plan.

The CHAIRMAN. And this label arrangement?

Mr. CLEMENTS. And this label arrangement; yes; pardon me.

The CHAIRMAN. Are there any others? And then there is this paper that is published, the Townsend Weekly?

Mr. CLEMENT. That Townsend Weekly, that is owned not by the Old Age Revolving Pensions. The Old Age Revolving Pensions is a nonprofit California corporation.

The CHAIRMAN. Whom is it owned by?

Mr. CLEMENTS. That is owned by Dr. Townsend and R. E. Clements.

The CHAIRMAN. This statement, then, does not include any financial report of the Townsend Weekly, does it?

Mr. CLEMENT. That statement was made prior to the inception of the Townsend Weekly.

The CHAIRMAN. How many of these Townsend Weeklies are sold?

Mr. CLEMENTS. The first issue was 37,500; the second issue was 50,000; the third issue, the one that you have there, was 75,000.

Senator BARKLEY. What is the price?

Senator WALSH. Five cents.

Mr. CLEMENTS. Very few of them, of course, are sold by us at 5 cents apiece. We deliver them to any part of the United States for 2 cents.

Senator COUZENS. Have you made any money out of this paper?

Mr. CLEMENTS. I haven't seen a balance sheet. I rather think it is probably a little in the red. It is devoted exclusively to the interests of the Townsend plan.

Senator BLACK. Senator, you started to ask him a question and he did not fully answer your question. You asked him if he had any other plan.

The CHAIRMAN. Is there any other plan?

Mr. CLEMENTS. There are no other plans they have operating to bring revenue to the Old Age Revolving Pensions.

The CHAIRMAN. Or by any of the parties connected with it?

Mr. CLEMENTS. Or by any of the parties connected with it officially or otherwise, except the label that we went into here and the sale of the literature.

The CHAIRMAN. Now I notice in this Townsend Weekly of January 28, 1935, an advertisement "cooperative division (wholesalers and manufacturers)." That is what you mentioned about the label plan, isn't it?

Mr. CLEMENTS. Yes, sir; that explains it, I think.

The CHAIRMAN. I think it would be very well for us to put in this record that part there.

(Statement referred to is as follows:)

COOPERATIVE DIVISION (WHOLESALESAERS AND MANUFACTURERS)

Is proving a great success. The list is not appearing in this issue—due to the necessity of using all available space for important news.

Don't fail to make our February 1 drive a great success by calling attention at all club meetings to this plan of saving labels, cartons, containers, etc., by all club members and their friends in the Western States.

Be sure to send to headquarters all merchandise evidence by February 1, then twice a month.

The CHAIRMAN. I notice another advertisement here of Albert M. Hansen. Who is Albert M. Hansen?

Mr. CLEMENTS. Is that in connection with a song?

The CHAIRMAN. That is the "Townsend plan song", which is called "In This Land of Freedom."

Mr. CLEMENTS. That is a private enterprise of Mr. Hansen's. We have nothing whatever to do with that.

The CHAIRMAN. You do charge him for carrying the advertisement, however?

Mr. CLEMENTS. Yes, sir.

The CHAIRMAN. You get no rake-off from the sale of that song?

Mr. CLEMENTS. We get no percentage whatever from the sale of the song; no, sir.

The CHAIRMAN. In this advertisement I notice that it is carried as "New, Catchy, Original, Different!" That advertisement might go in the record.

(Advertisement referred to is as follows:)

NEW, CATCHY, ORIGINAL, DIFFERENT!

TOWNSEND-PLAN SONG, "IN THIS LAND OF FREEDOM"

Sing it at your Townsend club meetings—hum it every day—this new, catchy, Townsend-plan song. It's taking the entire Nation by storm! Fifteen cents per copy, two for 25 cents.

Mail your order to Albert M. Hansen, owner and publisher, 2063 Yosemite Drive, Los Angeles, Calif.

Mr. CLEMENTS. Of course, we have no control over the advertising copy other than that it is submitted to us.

The CHAIRMAN. What does he pay for that advertisement?

Mr. CLEMENTS. I am sure I could not tell you exactly, but I rather think a dollar a column inch.

Senator BLACK. Where does he live?

Mr. CLEMENTS. I believe he lives in Pasadena, Calif.

Senator BLACK. Does he have any connection with your headquarters there now or has he had any connection with it in the past?

Mr. CLEMENTS. No.

Senator BLACK. Are—does he have any connection with any of the individuals connected with the plan in California?

Mr. CLEMENTS. None whatever.

Senator GERRY. Do you have any financial report from the different clubs as to how much money they take in?

Mr. CLEMENTS. Some of them, yes; most of them, no.

Senator GERRY. You simply let them go ahead?

Mr. CLEMENTS. They are entirely independent organizations. We exercise no control over their finances whatever.

Senator WALSH. Did you state what the total membership was in those clubs?

Mr. CLEMENTS. That would be quite impossible to state, because we do not exact a list or roster of their membership at all.

The CHAIRMAN. I think that is all, Mr. Clements. I will go back to Dr. Townsend.

Senator BLACK. Let me ask one more question in connection with what Mr. Clements said.

The CHAIRMAN. Yes.

Senator BLACK. Do all the people who sign these petitions join the clubs, or do you permit them to join the clubs if they sign the petition?

Mr. CLEMENTS. There is only a very small percentage of the people who signed the petitions and then joined the clubs. There is no obligation, financial or otherwise, attached to the signing of the Townsend plan petition.

Senator GERRY. But they are selling your booklets?

Mr. CLEMENTS. To whom do you refer?

Senator GERRY. These clubs.

Mr. CLEMENTS. Yes, sir.

Senator GERRY. And they have your endorsement?

Mr. CLEMENTS. They purchase the books from us on a consignment basis.

Senator GERRY. Do you make any investigation of them?

Mr. CLEMENTS. What do you mean? Do you mean a financial investigation?

Senator GERRY. Or any sort of investigation as to who the members are or who the people forming the club are.

Mr. CLEMENTS. There is a rather perfunctory investigation made as to the officers, whether or not they are people of good repute in the community in which they apply for leadership in the club.

Senator BARKLEY. Who makes that investigation?

Mr. CLEMENTS. It is sent in on a form to the office.

Senator BARKLEY. Do you have somebody who investigates?

Mr. CLEMENTS. No, sir. We make a very perfunctory investigation. They say who they are, whether they are members of a fraternity, and so on.

Senator BARKLEY. Whose duty is it to go around and hunt out people to sign a petition of this sort?

Mr. CLEMENTS. It is any one's duty. That has been entirely voluntary on the part of people who come in and ask for the privilege of circulating the petition.

Senator BARKLEY. Usually somebody in every community who gets up a petition takes the responsibility of carrying it around over town and having it signed?

Mr. CLEMENTS. Yes.

Senator BARKLEY. What inducement is there for anybody in the community to get up one of these petitions, the form of which you have, I believe, prepared?

Mr. CLEMENTS. There is no inducement whatever except the inducement engendered by their desire to see such legislation enacted.

Senator BARKLEY. You send the forms out to them?

Mr. CLEMENTS. We send 50 blank petitions to each Townsend club.

Senator BARKLEY. They select a man who is to drum up the signatures?

Mr. CLEMENTS. They select the party who will circulate the petition; yes.

Senator BARKLEY. And get the signatures?

Mr. CLEMENTS. Yes.

Senator GERRY. They buy your book at how much—1.6 cents?

Mr. CLEMENTS. Pardon me. I said that that was the cost of the book to us.

Senator GERRY. What do they pay for the books?

Mr. CLEMENTS. The clubs?

Senator GERRY. Yes.

Mr. CLEMENTS. They buy the book from us at 25 cents. A club pay 25 cents to the national association for each book.

Senator BLACK. That is the retail price?

Mr. CLEMENTS. That is the retail price.

Senator BARKLEY. Do you know what proportion of the people who sign these petitions understand this plan?

Mr. CLEMENTS. I am persuaded that the great proportion of the American public have intelligence enough to understand a plan as simple as the Townsend plan.

Senator BARKLEY. Do you know what is said to those who are approached for signature by the approacher?

Mr. CLEMENT. Quite obviously not; but there is printed very plainly the purport of the petition on the heading of each petition.

Senator BARKLEY. It may be that the Ways and Means Committee and the Finance Committee are below the average of intelligence, but it has taken them several weeks to try to find out all the implications of this plan and its effect on the country. I am wondering whether the agent who seeks signatures to petitions goes over the same amount of detail in trying to explain it to the signers that we try to go into in trying to find out what it means, its effect, its economic soundness, and all that.

Mr. CLEMENTS. I am sure, Senator, the average person circulating the petition at the present time is not as capable of going into the minute details of this plan as has been gone into here, and this plan probably will continue to be investigated. I mean to convey that they are certain that the people who signed the petition knew what they were petitioning for.

Senator BARKLEY. They knew they were petitioning Congress to buy a \$200 a month pension for people over 60 years of age, all people over 60 years of age?

Mr. CLEMENTS. Yes, sir.

Senator BARKLEY. Do you think that was explained to them?

Mr. CLEMENTS. Yes.

Senator BARKLEY. Do you think it was explained to them every time they put their names on this petition that if this law was passed they would have to pay a sales tax?

Mr. CLEMENTS. It says right on the heading of the petition that there will be a tax.

Senator BARKLEY. Have you had any experience in circulating petitions for signatures generally?

Mr. CLEMENTS. No, sir.

Senator BARKLEY. You do not know, then, to what extent people sign petitions that are shoved under their noses without any explanation of any kind, they just sign it?

Mr. CLEMENTS. I only know by my own experience that I do not sign petitions that I do not understand the purport of.

Senator BARKLEY. I understand that you would not, and neither would I, and frequently I do not sign any at all, but you know how easy it is to get petitions signed.

Mr. CLEMENTS. I understand it is very easy to get petitions signed.

Senator BARKLEY. I have had 22 years' experience in receiving them.

The CHAIRMAN. Mr. Clements, I hope you will send your latest audit in so we may get it into the record.

Mr. CLEMENTS. I will be very glad to send it in.

The CHAIRMAN. May I ask you whether your organization has filed with the treasurer income-tax returns?

Mr. CLEMENTS. That has been handled through our legal department in Los Angeles and Long Beach. There has been an income-tax return received, the form has been received. Whether or not it has been filed as yet I am not sure.

The CHAIRMAN. Well, last year was there any filed?

Mr. CLEMENTS. We have only been operating since January 1934.

The CHAIRMAN. Since January 1934?

Mr. CLEMENTS. Yes. You will notice that statement there, January 30, 1934.

The CHAIRMAN. Is that when your organization was incorporated?

Mr. CLEMENTS. Pardon me. January 30, 1934, as you notice from that statement, we had a balance of \$7.89 on that date.

The CHAIRMAN. When did you take out articles of incorporation?

Mr. CLEMENTS. January 24, 1934.

The CHAIRMAN. And before that you were not operating?

Mr. CLEMENTS. No.

The CHAIRMAN. And you have now filed no income-tax return, up to date?

Mr. CLEMENTS. I am not sure that it has been filed. The form was received in the Los Angeles office.

Senator BLACK. Mr. Clements, you are the treasurer?

Mr. CLEMENTS. Yes.

Senator BLACK. A statement has been made here by someone, I do not recall who, that in many instances your agents were required to file a telegraphic report each night of the amount of money that was collected. Is that true?

Mr. CLEMENTS. That is absolutely false.

Senator BLACK. You have never done that in any instance?

Mr. CLEMENTS. There is only one instance in which there was ever a telegraphic report asked for, and that was in the instance when there was a Nation-wide mass meeting held for the Townsend plan on October 28, I believe, 1934. At that time we asked them to wire us the number in attendance and also what, if any, was the total contribution at that meeting which was taken up for the benefit of our extension-fund work, and I should judge we received some 20 or 30 telegrams to that effect.

Senator BLACK. You sent them out everywhere where they held the meeting?

Mr. CLEMENTS. We sent them out.

Senator BLACK. Someone sent them the message telling them to report by wire at each of those meetings?

Mr. CLEMENTS. There was a circular letter sent out; yes.

Senator BLACK. And they did all report by wire?

Mr. CLEMENTS. Probably 5 percent of them reported by wire.

Senator BARKLEY. Mr. Clements, what was your occupation before you became identified with this movement?

Mr. CLEMENTS. I have been a broker, a dealer in real estate in California for 21 years.

Senator BARKLEY. Do you know Dr. Pope?

Mr. CLEMENTS. I have heard of Dr. Pope.

Senator BARKLEY. At the last session of Congress we were besought by the Dr. Pope organization and flooded with petitions for his plan. Have you and Dr. Townsend consulted with Dr. Pope in any way in the framing of this Townsend plan as a successor to the Pope plan?

Mr. CLEMENTS. I cannot speak for Dr. Townsend—you can ask him—but I am sure there has been no connection whatever with Dr. Pope, or any of his connections.

Senator BARKLEY. You are not an actuary?

Mr. CLEMENTS. No, sir.

Senator BARKLEY. Have never been?

Mr. CLEMENTS. No, sir.

Senator CONNALLY. Do you send out any forms or letters or telegrams to Members of Congress to these clubs? Do not you send out suggested forms of letters and telegrams to Senators and Congressmen?

Mr. CLEMENTS. Absolutely not.

Senator CONNALLY. I get some from widely separated points and they are practically identical language, and I was just wondering if you did not propagandize through sending out some suggested forms of wires and letters.

Mr. CLEMENTS. Not at all. Permit me to say it has never been the thought of Dr. Townsend or those in charge of this plan that you gentlemen were to receive anything but the most courteous recommendation that you would give the Townsend plan a thorough and complete hearing.

Senator CONNALLY. I saw in the press not long ago some statement quoting Dr. Townsend as intimating if Congress did not jump through the hoop and give them the old-age pension law that they were going to beat everybody in the elections.

Mr. CLEMENTS. We have been misquoted in the press many times.

Senator CONNALLY. That is not your attitude?

Mr. CLEMENTS. No.

Senator BARKLEY. I see a form in front of Senator Connally, sent to him from Santa Cruz, Calif., and it says: "We voters want", and then in red, "the Townsend plan made a law at this session of Congress, your key for the ballot box. Santa Cruz Area Townsend Clubs, representing 40,000 voters." Signed by O. F. Schroeder. Do you know anything about who gets out that form, and who Schroeder is?

Mr. CLEMENTS. No; I do not.

Senator BARKLEY. Do you know what he means there by his reference to the ballot box?

Mr. CLEMENTS. I have an idea what he means, but we know nothing about such propaganda.

Senator BARKLEY. That is evidently an intimidation.

Mr. CLEMENTS. It does not originate or emanate from the headquarters of the Townsend organization.

Senator BARKLEY. Do you know who would be likely to originate it or emanate it?

Mr. CLEMENTS. I presume the man that signed it.

Senator BARKLEY. This card is printed probably by the thousands. Who takes the responsibility of having that expense incurred for the printing of those cards and the mailing of them to Members of Congress?

Mr. CLEMENTS. I am sure I do not know, but I can assure you that Old Age Revolving Pensions, Ltd., has absolutely nothing to do with the encouragement of printing them or paying for the cost of printing.

Senator BARKLEY. Whether the corporation, limited, has anything to do with it or not, has anybody in connection with the corporation as an individual, unlimited, anything to do with it?

Mr. CLEMENTS. No one who is officially connected with the headquarters.

The CHAIRMAN. Well, Mr. Clements, I notice in this Townsend Weekly that you do have, in bold type [reading]:

Write! Wire! Now is the time to let your Congressman and Senator know that you expect him to support the Townsend pension bill.

To that extent you are encouraging these pamphlets to come in here?

Mr. CLEMENTS. We are most certainly encouraging the people to write to their Senators and Congressmen and let them know their ideas.

The CHAIRMAN. That is one of the principal objects of your whole organization?

Mr. CLEMENTS. Yes.

The CHAIRMAN. I notice in the same publication, "On to Congress."

MASS MEETING—GREETINGS!

We are on the doorstep of Congress. In fact we are inside the door. Congressman McGroarty introduced the Townsend pension bill Wednesday, January 16.

Mammoth mass meeting, Sunday, February 3, at 3 o'clock.
Olympic Auditorium, Eighteenth and Grand Avenue, Los Angeles; 11,000 free seats.

You did not charge any admission?

Mr. CLEMENTS. No, sir.

The CHAIRMAN. They were all free seats?

Mr. CLEMENTS. Yes, sir.

The CHAIRMAN. Were any contributions taken up? Was the hat passed around?

Mr. CLEMENTS. Yes, sir.

The CHAIRMAN. How much was raised at that mass meeting?

Mr. CLEMENTS. \$167 and some odd cents.

The CHAIRMAN. Do you always pass the hat around at all of these mass meetings?

Mr. CLEMENTS. No, sir.

The CHAIRMAN. That goes into the treasury, does it?

Mr. CLEMENTS. That particular contribution went into this fund which we are pleased to designate as the "Congressional Action Fund." That is a separate fund and used for the specific purpose of maintaining the Washington office and paying the necessary help and the actual expenses of the men who come here to assist.

The CHAIRMAN. I understood you to say you had 52,000 copies of this published.

Mr. CLEMENTS. I think it was 50,000. That is the second issue that you have there.

The CHAIRMAN. Well, I notice here in the second issue you say, "Official Townsend Weekly got a paid circulation in 1 week of over 60,000 copies!" Why was that statement made?

Mr. CLEMENTS. Perhaps I was too conservative in my estimate.

Senator BARKLEY. That is the second issue, of which you said there were 50,000?

Mr. CLEMENTS. I was not in Los Angeles when that was printed, I was in Washington. I know what the order was for the first issue. It was 25,000, then it was increased 12,000, which made it 37,000. I was informed by letter that they anticipated that the second issue, which was the issue that is on the chairman's desk, would be 50,000.

The CHAIRMAN. Why did they say the issue was increased over 60,000?

Mr. CLEMENTS. Perhaps by the time it went to press, Senator, they had orders for that many.

The CHAIRMAN. Maybe the Doctor can explain that. Can you explain that, Doctor?

Mr. TOWNSEND. Why, it has been proven that the number printed has been inadequate on each issue and we have had to run a separate lot, an additional lot. Now, of course, until the orders pile up we do not know what that is going to be.

The CHAIRMAN. Was there any further statement you desired to make, Doctor?

Dr. TOWNSEND. I think not.

Senator COUZENS. Doctor, have you had any personal compensation out of all this work?

Dr. TOWNSEND. Personal compensation?

Senator COUZENS. Yes.

Dr. TOWNSEND. Nothing beyond my actual expenses.

Senator COUZENS. How much have they been?

Dr. TOWNSEND. They have been averaging about \$50 a week.

Senator COUZENS. And that is all you have had since January, 1934?

Dr. TOWNSEND. That is all I have. I have no bank account, I have no moneys accumulated, I do not expect to have anything.

Senator COUZENS. You have no salary of any kind?

Dr. TOWNSEND. No salary at all.

The CHAIRMAN. Are there any other questions?

Senator BLACK. I want to ask him one other question about the bill. Doctor, I notice in the bill which you have offered that the

people can spend this money for goods and services. That is there, isn't it?

Dr. TOWNSEND. Yes; that is right.

Senator BLACK. It is contemplated, for instance, that two persons who draw a pension of \$400 a month, that they can spend that for services to whomsoever they seem fit?

Dr. TOWNSEND. Yes; if they create jobs with that money.

Senator BLACK. And now one of the ideas in your plan is to force people to spend that money, isn't it?

Dr. TOWNSEND. Yes.

Senator BLACK. If that money is spent for services and it reaches a second hand, there is no provision that requires the recipient to spend it, is there? He can save it?

Dr. TOWNSEND. I presume that could be done.

Senator BLACK. In other words, if one of these pensioners, receiving \$200 a month, or a family receiving \$400 a month, had to spend it, you do not contemplate that we will have snoopers going around to see who they hire or whose services they buy, do you?

Dr. TOWNSEND. It will not require any snoopers. Everybody has neighbors. If they find that somebody is spending the money other than is proposed by law, they would probably report.

Senator BLACK. Your idea is that the neighbors would know who they hired. Do they have a right to hire anybody they please?

Dr. TOWNSEND. They could hire anybody they pleased. If the neighbors find the man who is receiving a pension is supporting too many parasites, his case will be investigated.

Senator BLACK. How could it be? He has the right to hire anybody he wants to hire, under the law, hasn't he?

Dr. TOWNSEND. After paying his own expenses he is not going to have a great amount of money to hire people.

Senator BLACK. Suppose he hired his son? He would have the right to, would he not?

Dr. TOWNSEND. Yes.

Senator BLACK. Suppose he had a brother that was not doing anything, he would have a right to hire his brother?

Dr. TOWNSEND. Yes.

Senator BLACK. That brother could spend it or not, just as he wanted, just as he saw fit?

Dr. TOWNSEND. Yes.

Senator BLACK. There is nothing in the bill that would absolutely require that the money be spent for goods and commodities, is there?

Dr. TOWNSEND. You are assuming that everybody who gets this particular amount of money in payment for his salary is going to sit down there and hold it. People do not do that.

Senator BLACK. You are assuming they would spend it all. If they did not spend it all, then your plan would not work, would it?

Dr. TOWNSEND. No; it would have to go into circulation.

Senator BLACK. If you wanted it to be spent for goods and services in your bill, why should you leave that loophole?

Dr. TOWNSEND. Because many of the old folks have to have assistance, they have to have nurses and attendants.

Senator BLACK. You have agents all around the country, don't you?

Dr. TOWNSEND. We have voluntary agents; yes.

Senator BLACK. They could hire these agents, if they wished, after the law passed, to perform services for them?

Dr. TOWNSEND. I do not know what incentive there would be for that.

Senator BLACK. Well, they might want to hire them, the agents would be there, they are pretty good agents, it looks like, from the number of petitions, from the number of signatures. They are pretty much on the alert.

Dr. TOWNSEND. They certainly are, because there are many people whose condition today makes them alert for anything that is going to alleviate their condition.

Senator BLACK. The point I wanted to bring out was, they can spend the money for goods and services. Your idea was to make them spend it and keep it going. It would not work otherwise?

Dr. TOWNSEND. There isn't any concern on the part of anyone who does any thinking about this, but the individual receiving the money will not use the greater portion of it for his own particular needs, and if he wants to spend 25 percent of it in hiring help, that is not going to affect the ultimate outcome.

Senator BLACK. Do you know that a number of letters have been received by Congressmen and Senators, protesting the idea that they will be compelled to spend it, and compelled to spend it all within the month?

Dr. TOWNSEND. What of it?

Senator BLACK. Then there are some of them that would not want to spend it.

Dr. TOWNSEND. Yes; a very small percentage. It will not make any difference between the outcome.

Senator GERRY. Your idea is the community would take an interest in seeing that it would be spent?

Dr. TOWNSEND. I think so.

Senator GERRY. Did it work that way in prohibition?

Dr. TOWNSEND. In prohibition?

Senator GERRY. Yes.

Dr. TOWNSEND. No. Why?

Senator GERRY. I am asking you.

Dr. TOWNSEND. Because there was very little effect on the part of the powers that had charge of the enforcement of the prohibition law, to do anything with it.

Senator BARKLEY. There was also a laxity on the part of people in the community to keep the enforcement officers informed, to the extent that they did not want to be snooping around among their neighbors to find out whether or not there was a violation. Your bill set up an official snooping committee in each precinct in the United States to watch over the expenditure of this money, and follow it out to the ultimate results.

Dr. TOWNSEND. I cannot see that there would be any snooping necessary.

Senator BARKLEY. What would the committee that you set up in the bill be required to do?

Dr. TOWNSEND. To receive complaints.

Senator BARKLEY. To receive complaints from whom?

Dr. TOWNSEND. From those who thought the law was being violated.

Senator BARKLEY. There would be a committee set up in each voting precinct to receive complaints from the neighbors who thought that one of their next-door neighbors were spending some of the \$200, or \$400, or \$600, if there happened to be three of them who were 60 years old living in the same household, in a way that they did not approve of?

Dr. TOWNSEND. There would have to be some sort of committee until the people became accustomed to the new regime, the new system.

Senator BLACK. The longer it is in operation the more people in each neighborhood will be drawing this pension, so there would be that much more work to be done.

Dr. TOWNSEND. There is going to be a limit, of course. There is a limit to the number of people who attain the age of 60 years.

Senator BLACK. They increase up to 1980, according to your theory; the number increases until then?

Dr. TOWNSEND. Well, until we can get all on the pension roll who wish to go on, of course.

Senator BLACK. The number of eligibles will increase up to 1980?

Dr. TOWNSEND. I do not know why.

Senator BLACK. Well, I thought, on your theory, from your testimony before the House committee, that the number of eligibles above 60 would increase, and that within 5 years, as you indicated in your testimony before the House committee, you would have to lower this to probably 55, and then later on to 50, there would be a gradual increase in the number.

Dr. TOWNSEND. That is not the assumption at all. The reason we say it will be necessary for us to reduce the age limit will be from the fact that industries are going to be carried on by machines to the extent that we will not have places for the workers.

Senator BLACK. That is what I am saying. Every time you reduce the age limit you take in several more millions of eligibles.

Dr. TOWNSEND. It may be necessary for us to do that in time.

Senator BLACK. Yes. The more eligibles there are the more committees there will have to be, to watch them, to see that they spend this money according to Hoyle during each month?

Dr. TOWNSEND. If we had a few committees of that sort during prohibition, we could enforce the law. We did not have them.

Senator BLACK. That may be, I do not know, but what is everybody's business usually is nobody's business. It is my experience and observation that it is rather difficult to get committees of neighbors to make any report of any technical violation of the law by another neighbor.

The CHAIRMAN. We have asked you to put the articles of incorporation in the record, and some other matters. I wish, for the benefit of the committee, that you would turn over to the clerk as soon as you can all the pamphlets that have been issued, either by the parent organization or any of the affiliated organizations with reference to your matter, and a copy of all the issues of your paper that you have now, as well as a copy of this book that sells for 25 cents, or any other pamphlets that you have.

The CHAIRMAN. Turn them over to the committee. The committee thanks you, Dr. Townsend.

Senator CONNALLY. Just a minute. Doctor, you say the plan will cost from 18 to 20 billion dollars a year?

Dr. TOWNSEND. There will be that amount put in circulation.

Senator CONNALLY. I suppose that money has got to be taken from somebody else in the way of taxes and turned over to the aged.

Dr. TOWNSEND. It has got to be produced.

Senator CONNALLY. In other words, that money has got to come out of those that are working, those that have jobs.

Dr. TOWNSEND. Yes.

Senator CONNALLY. After the old couple get it they can hire anybody they please, anybody they desire. Would not it be possible for them to hire all of their daughters, their boys, and their sorry sons-in-laws?

Senator CONNALLY. That would withdraw them from production. They are young and able to work, and other young people would work, and would be making the money which would be used for paying for the upkeep of those idlers. Is that true or not?

Dr. TOWNSEND. That is not true.

Senator CONNALLY. Could not it be true?

Dr. TOWNSEND. It could be true; yes.

Senator CONNALLY. On your own plan?

Dr. TOWNSEND. You might assume the movement would move close to the earth in the next few weeks, but it is not going to do that.

Senator CONNALLY. Here is an old man and woman making \$400 a month, who never made a hundred in their lives, and they have three or four sorry sons that do not want to work, why could not they hire them as doorkeepers or personal assistants, or secretaries, and pay out these sums to them, and why could not the sons take that money and put it in the stock market, or buy whisky, or play cards, or do anything they pleased?

Dr. TOWNSEND. We do not propose to restrict anybody in the quality or the character of the thing he spends money on. What we want to do is to get money into circulation.

Senator BARKLEY. Even if that expenditure turns out to be injurious?

Dr. TOWNSEND. What?

Senator BARKLEY. Even if that expenditure turns out to be injurious to their morals, or to their physical welfare?

Dr. TOWNSEND. My dear sir, are you so terribly concerned about the morals and welfare of the young today?

Senator BARKLEY. To be frank; yes.

Dr. TOWNSEND. Why is it then that we are debauching so many of our young people at the present time?

Senator BARKLEY. Well, I am not doing any of that.

Dr. TOWNSEND. Neither am I; and I want to end the conditions which maintain that sort of thing. Seventy-five percent of the criminals of the country today are young people, and they are largely made up of those who have not been able to do anything for themselves. Now let us not strain at a gnat and swallow a camel.

Senator BARKLEY. That is one of the troubles. I am afraid your camel is so big that we cannot swallow him.

Dr. TOWNSEND. Perhaps not; but neither can we assimilate the one we have got. We have to change it for something else.

The CHAIRMAN. Doctor, the committee has worked for 4 or 5 weeks. We are trying to reach some reasonable and rational conclusion with reference to taking care of these old people. We hope to evolve a very good bill. We may not be able to accept your proposition, but the committee thanks you. The committee will adjourn until 10 o'clock Monday morning, with the announcement that the hearings on this bill will close Wednesday morning.

Dr. TOWNSEND. You will be open on Monday morning?

The CHAIRMAN. Yes; we have a calendar on Monday morning.

Dr. TOWNSEND. Will it be possible for Mr. Doane to meet here with you?

The CHAIRMAN. We will hear him Wednesday morning, if there is some explanation he wants to make, or if he wants to put in the record some of the facts that you mentioned.

Dr. TOWNSEND. Thank you.

Mr. Clements subsequently submitted the following statements of receipts and disbursements, Old Age Revolving Pensions, Ltd.

Old Age Revolving Pensions, Ltd.

STATEMENT OF RECEIPTS AND DISBURSEMENTS
NOVEMBER 1934

Receipts:

Petty cash on hand	-----	\$8. 51
Cash in bank	-----	510. 12
Stamps on hand	-----	59. 18
Accounts receivable	-----	2, 902. 11
Sales	-----	4, 528. 14
Cash over and short	-----	2. 57
	-----	\$8, 010. 63

Disbursements:

Salaries	-----	1, 165. 35
Rent	-----	393. 92
Printing	-----	2, 572. 89
Postage, express, etc	-----	843. 34
Utilities	-----	13. 49
Telephone, telegraph, etc	-----	126. 44
Sales tax	-----	. 57
Bank tax	-----	3. 40
Refunds	-----	33. 00
Office expense	-----	99. 82
Office supplies	-----	36. 53
Miscellaneous	-----	12. 20
Buttons	-----	250. 00
Commissions	-----	578. 13
Legal fees	-----	100. 00
Furniture and fixtures	-----	34. 50
Organization and organizers	-----	530. 50
Accounts payable	-----	459. 35
Accounts receivable	-----	500. 00
Transferred to extension account	-----	247. 60
Returned check (A. J. Mum)	-----	27. 00
	-----	7, 109. 33

To be accounted for----- 901. 30

Accounted for as follows:

Balance cash	-----	124. 55
Balance in petty cash	-----	9. 68
Balance in bank	-----	604. 11
Balance in stamps	-----	162. 96

*Old Age Revolving Pensions, Ltd.*STATEMENT OF RECEIPTS AND DISBURSEMENTS
DECEMBER 1934

Receipts:		
Petty cash on hand.....	\$9. 68	
Cash carried forward.....	124. 55	
Cash in bank.....	604. 11	
Stamps on hand.....	162. 96	
Accounts receivable.....	3, 265. 47	
Sales.....	14, 222. 60	
Cash over and short.....	7. 83	
		\$18, 397. 20
Disbursements:		
Salaries.....	1, 807. 69	
Rent.....	96. 00	
Printing.....	1, 994. 35	
Postage, express, etc.....	1, 205. 75	
Utilities.....	14. 66	
Telephone, telegraph, etc.....	295. 23	
Bank tax.....	7. 54	
Office expense.....	123. 45	
Office supplies.....	176. 07	
Miscellaneous.....	196. 70	
Radio advertising.....	6. 00	
Refunds.....	13. 00	
Commission.....	31. 25	
Legal fees.....	50. 00	
Furniture and fixtures.....	46. 00	
Organization and organizers.....	775. 52	
Accounts payable.....	1, 077. 23	
Returned checks.....	12. 50	
Bad accounts.....	61. 76	
Commission fees to managers.....	1, 884. 51	
Charges to accounts receivable.....	7, 013. 75	
Club adjustments.....	36. 23	
		16, 852. 73
To be accounted for.....		1, 544. 47
Accounted for as follows:		
Balance in cash.....	\$1, 372. 14	
Balance in petty cash.....	2. 34	
Balance in bank.....	95. 33	
Balance in stamps.....	76. 66	
		1, 544. 47

*Townsend Clubs—O. A. R. P. Ltd.*STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
NOV. 1 TO DEC. 31, 1934

Receipts:		
Cash on hand Oct. 31, 1934.....	\$4, 988. 86	
Receipts Nov. 1 to Dec. 31, 1934.....	11, 362. 85	
Total.....	16, 351. 71	
Disbursements:		
Organization.....	\$1, 402. 00	
Office expense.....	215. 90	
Modern Crusader.....	754. 00	
O. A. R. P., Ltd.....	1, 746. 15	
O. A. R. P., Ltd., refunds.....	70. 33	
Printing.....	18. 65	
Salaries.....	451. 14	
Office equipment.....	45. 00	
Commissions.....	1, 576. 79	
Postage.....	136. 22	
Auditing.....	140. 00	
Miscellaneous.....	7. 50	
		6, 563. 68
Cash on hand Dec. 31, 1934.....	9, 788. 03	
		16, 351. 71

*Extension fund—O. A. R. P. Ltd.*STATEMENT OF RECEIPTS AND DISBURSEMENTS
NOV. 1 TO DEC. 31, 1934

Receipts:

Cash on hand Oct. 31, 1934	\$ 4,295.32
Receipts Nov. 1 to Dec. 31, 1934	8,329.61
Total	<u>12,624.93</u>

Disbursements:

Organization	\$4,319.27
Refund of organization fees	441.64
Advertising	43.19
Radio organization	3,283.98
Printing	4.00
Refund of expense fees	2,250.94
Statistical reports	330.50
Auditing	140.00
Speakers' bureau	157.61
Strategy committee	143.05
Legal fee	50.00
Miscellaneous	10.45

	11,174.63
Cash on hand Dec. 31, 1934	1,450.30
	<u>12,624.93</u>

(Whereupon, at 12:17 p. m., the committee adjourned until 10 a. m., Monday, Feb. 18, 1935.)

ECONOMIC SECURITY ACT

MONDAY, FEBRUARY 18, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The Committee met, pursuant to adjournment, at 10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison, chairman, presiding.

The CHAIRMAN. Dr. Cloyd H. Marvin, representing the American Council on Education.

STATEMENT OF DR. CLOYD H. MARVIN, WASHINGTON, D. C., REPRESENTING THE AMERICAN COUNCIL ON EDUCATION

Dr. MARVIN. Mr. Chairman and members of the committee: The American Council on Education has a membership of 43 constituent members, made up of such institutions as the National Association of State Universities, National Catholic Educational Association, North Central Association of Colleges and Secondary Schools, and many others which I am going to file with you. In addition to that it has a membership of 225 colleges and universities over the country, which I shall just file so as not to take the time, if they may be included as a part of the record.

The CHAIRMAN. Yes.

(The members of the American Council on Education are as follows:)

CONSTITUENT MEMBERS AND THEIR DELEGATES FOR 1934-35

American Association of Colleges of Pharmacy

Rufus A. Lyman, College of Pharmacy, University of Nebraska, Lincoln, Nebr.

Charles H. LaWall, Philadelphia College of Pharmacy and Science, Philadelphia, Pa.

J. G. Beard, School of Pharmacy, University of North Carolina, Chapel Hill, N. C.

American Association of Dental Schools:

J. Ben Robinson, Baltimore College of Dental Surgery, Baltimore, Md.

W. F. Lasby, College of Dentistry, University of Minnesota, Minneapolis, Minn.

R. S. Vinsant, 1726 Madison Avenue, Memphis, Tenn.

American Association of Junior Colleges:

E. Q. Brothers, Little Rock Junior College, Little Rock, Ark.

Guy M. Winslow, Lasell Junior College, Auburndale, Mass.

Doak S. Campbell, George Peabody College for Teachers, Nashville, Tenn.

American Association of Teachers Colleges:

Lida Lee Tall, State Normal School, Towson, Md.

Robert M. Steele, State Teachers College, California, Pa.

Uel W. Lamkin, State Teachers College, Maryville, Mo.

American Association of University professors:

H. G. Doyle, George Washington University, Washington, D. C.
 H. C. Lancaster, Johns Hopkins University, Baltimore, Md.
 H. W. Tyler, 744 Jackson Place, Washington, D. C.

American Association of University Women:

Kathryn McHale, 1634 Eye Street NW., Washington, D. C.
 Esther L. Richards, Johns Hopkins Hospital, Baltimore, Md.
 Belle Rankin, 1634 Eye Street NW., Washington, D. C.

American Library Association:

George F. Bowerman, Public Library, Washington, D. C.
 Joseph L. Wheeler, Pratt Library, Baltimore, Md.

Association of American Colleges:

Benjamin F. Finney, University of the South, Sewanee, Tenn.
 S. P. Capen, University of Buffalo, N. Y.
 H. M. Wriston, Lawrence College, Appleton, Wis.

Association of American Medical Colleges:

(Delegates not yet appointed.)

Association of Land-Grant Colleges:

R. M. Hughes, Iowa State College, Ames, Iowa.
 R. D. Hetzel, Pennsylvania State College, State College, Pa.
 J. G. Lipman, Rutgers, University, New Brunswick, N. J.

Association of Urban Universities:

R. A. Kent, University of Louisville, Louisville, Ky.
 Raymond Walters, University of Cincinnati, Cincinnati, Ohio.
 C. S. Marsh, United States Office of Education, Washington, D. C.

Council on Medical Education and Hospital of the American Medical Association:

Reginald Fitz, 721 Huntington Avenue, Boston, Mass.
 Merritte W. Ireland, 1870 Wyoming Avenue, Washington, D. C.
 W. D. Cutter, 535 North Dearborn Street, Chicago, Ill.

Council of Section of Legal Education and Admissions to the Bar of the American Bar Association.

Will Shaforth, 730 Equitable Building, Denver, Colo.
 Alexander B. Andrews, 239 Fayetteville Street, Raleigh, N. C.
 John Kirkland Clark, 72 Wall Street, New York City.

Dental Education Council of America:

Henry L. Banzhaf, 1217 West Wisconsin Avenue, Milwaukee, Wis.
 William H. G. Logan, 55 East Washington Street, Chicago, Ill.
 Albert L. Midgley, 1108 Union Trust Building, Providence, R. I.

Department of Superintendence, National Education Association:

Frank W. Ballou, superintendent of schools, Washington, D. C.
 David E. Weglein, superintendent of schools, Baltimore, Md.
 S. D. Shankland, 1201 Sixteenth Street NW., Washington, D. C.

Institute of International Education:

Stephen P. Duggan, Institute of International Education, New York City.
 William F. Russell, Teachers College, Columbia University, New York City.
 Edward R. Murrow, Institute of International Education, New York City.

Middle States Association of Colleges and Secondary Schools:

H. G. Doyle, George Washington University, Washington, D. C.
 Boyd Morrow, Gilman Country School, Baltimore, Md.
 John H. Tyson, Upper Darby High School, Upper Darby, Pa.

National Association of State Universities:

E. B. Bryan, Ohio University, Athens, Ohio.
 Lotus D. Coffman, University of Minnesota, Minneapolis, Minn.
 A. H. Upham, Miami University, Oxford, Ohio.

National Catholic Educational Association:

Rt. Rev. Edward A. Pace, Catholic University, Washington, D. C.
 Rt. Rev. P. J. McCormick, Catholic Sisters College, Washington, D. C.
 Rev. George Johnson, 1312 Massachusetts Avenue, Washington, D. C.

National Education Association:

Joseph H. Saunders, Superintendent of Schools, Newport News, Va.
 George D. Strayer, Columbia University, New York City.
 Sidney B. Hall, State Superintendent of Education, Richmond, Va.

North Central Association of Colleges and Secondary Schools:

C. H. Judd, University of Chicago, Chicago, Ill.
 Charles H. Lake, Superintendent of Schools, Cleveland, Ohio.
 H. M. Wriston, Lawrence College, Appleton, Wis.

Progressive Education Association:

Laura Zirbes, Ohio State University, Columbus, Ohio.

Frederick Redefer, 716 Jackson Place, Washington, D. C.

Willard W. Beatty, Bronxville Public Schools, Bronxville, N. Y.

Society for the Promotion of Engineering Education:

L. W. Wallace, Woodward Building, Washington, D. C.

C. H. Warren, Yale University, New Haven, Conn.

F. L. Bishop, University of Pittsburgh, Pittsburgh, Pa.

Southern Association of Colleges and Secondary Schools:

R. E. Blackwell, Randolph-Macon College, Ashland, Va.

K. J. Hoke, College of William and Mary, Williamsburg, Va.

Guy E. Snavelly, Birmingham-Southern College, Birmingham, Ala.

ASSOCIATE MEMBERS

American Association for the Advancement of Science.

American Association of Collegiate Registrars.

American Council of Learned Societies.

American Historical Association.

American Physical Education Association.

American-Scandinavian Foundation.

C. R. B. Educational Foundation.

Education Council Y. M. C. A.

Federated Council on Art Education.

Modern Language Association of America.

National Advisory Council on Radio in Education.

National Association of Deans of Women.

National Council of Business Education.

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National Council of Teachers of English.

National Research Council.

National Society of College Teachers of Education.

National Vocational Guidance Association.

United Chapters of Phi Beta Kappa.

INSTITUTIONAL MEMBERS, 1934-35

Alabama:

Alabama Polytechnic Institute

Alabama, University of

Birmingham-Southern College

Tuskegee Normal and Industrial Institute

Arizona:

Arizona, University of

California:

California Institute of Technology

College of the Pacific

Dominican College

Immaculate Heart College

Mills College

San Francisco, University of

Southern California, University of

Stanford University

Colorado:

Colorado College

Colorado State Teachers College

University of Denver

Connecticut:

Albertus Magnus College

Connecticut Agricultural College

Connecticut College

Junior College of Connecticut

Wesleyan University

Yale University

Delaware:

Delaware, University of

District of Columbia:

American University

Catholic University of America

Georgetown University

George Washington University

Howard University

Trinity College

Florida:

Florida State College for Women

John B. Stetson University

Rollins College

University of Florida

Georgia:

Agnes Scott College

Emory University

Georgia School of Technology

Georgia State College for Women

Georgia, University of

Shorter College

Hawaii:

Hawaii, University of

Illinois:

Carthage College

Chicago, University of

De Paul University

Illinois College

Illinois—Continued.

Illinois, University of
Lake Forest College
Lewis Institute
Northwestern University
Rockford College
Rosary College
St. Xavier College

Indiana:

DePauw University
Indiana State Teachers College
Indiana University
Notre Dame, University of
Purdue University
Rose Polytechnic Institute
St. Mary's College, Notre Dame
St. Mary-of-the-Woods College

Iowa:

Coe College
Grinnell College
Iowa State College of A. & M. A.
Iowa State Teachers College
State University of Iowa

Kentucky:

Kentucky, University of
Louisville, University of

Louisiana:

Louisiana State Normal College
Louisiana State University
Southwestern Louisiana Institute
Tulane University

Maine:

Bowdoin College

Maryland:

Goucher College
Hood College
Johns Hopkins University
Loyola College
Mount St. Mary's College
Notre Dame College
St. Joseph's College
Western Maryland College

Massachusetts:

Boston College
Boston University
Bradford Junior College
Clark University
Emmanuel College
Harvard University
Holy Cross College
International Y. M. C. A. College
Massachusetts Institute of Technology
Mount Holyoke College
Radeliffe College
Regis College
Simmons College
Smith College
Wellesley College
Wheaton College

Michigan:

Albion College
Alma College
Marygrove College
Michigan, University of
Western State Teachers College

Minnesota:

Carleton College
College of St. Catherine
College of St. Scholastica
College of St. Teresa
Macalester College
Minnesota, University of
St. Olaf College

Mississippi:

Millsaps College
Mississippi State College

Missouri:

Central College
Lindenwood College
Missouri, University of
Northwest Missouri State Teachers College
The Principia
St. Louis University
Washington University
Webster College

Nebraska:

Nebraska, University of

New Hampshire:

Dartmouth College
New Hampshire, University of

New Jersey:

College of St. Elizabeth
Georgian Court College
Rutgers University
Seton Hall College
Stevens Institute of Technology

New Mexico:

State University of New Mexico

New York:

Adelphi College
Alfred University
Brooklyn College
Buffalo, University of
Colgate University
College of the City of New York
College of Mount St. Vincent on Hudson
College of New Rochelle
College of the Sacred Heart
Columbia University
Cornell University
D'Youville College
Fordham University
Good Counsel College
Hamilton College
Hunter College
Keuka College
Manhattan College
Marymount College
Nazareth College
New York State College for Teachers
New York University
Polytechnic Institute of Brooklyn
Rensselaer Polytechnic Institute
Rochester, University of
Russell Sage College
Sarah Lawrence College
Skidmore College
St. Joseph's College for Women

New York—Continued.

Syracuse, University of
Union College
Vassar College
Wells College

North Carolina:

Duke University
Johnson C. Smith University
North Carolina, University of

Ohio:

Akron, University of
Case School of Applied Science
Cincinnati, University of
College of Mount St. Joseph on the
Ohio
Heidelberg College
Marietta College
Miami University
Muskingum College
Oberlin College
Western Reserve University

Oklahoma:

Oklahoma A. & M. College

Oregon:

Oregon State Agricultural College

Pennsylvania:

Allegheny College
Bryn Mawr College
Bucknell University
Drexel Institute
Grove City College
Immaculata College
La Salle College
Lehigh University
Marywood College
Mount St. Joseph College
Pennsylvania College for Women
Pennsylvania State College
Pittsburgh, University of
Rosemont College
Seton Hill College
St. Thomas College
Swarthmore College
Temple University
Villanova College

Pennsylvania—Continued.

Washington and Jefferson College
Wilson College

Rhode Island:

Brown University

South Carolina:

South Carolina, University of
Winthrop College

South Dakota:

South Dakota State School of
Mines

Tennessee:

Chattanooga, University of
Fish University
Southwestern
Vanderbilt University

Texas:

Baylor University
Our Lady of the Lake College
Rice Institute
Texas, University of
Incarnate Word College

Utah:

Brigham Young University
Utah Agricultural College

Vermont:

Middlebury College
Vermont, University of

Virginia:

College of William and Mary
East Radford State Teachers
College
Mary Baldwin College
Sweet Briar College
Virginia Polytechnic Institute
Virginia, University of
Washington and Lee University

West Virginia:

West Virginia State College

Wisconsin:

Lawrence College
Marquette University
Milwaukee-Downer College

Wyoming:

Wyoming, University of

Dr. MARVIN. When this bill for economic security came up, a special committee was appointed by the association, which is composed of Mr. Joseph H. Saunders, the chairman of the board of trustees of the National Education Association; Mr. Robert L. Kelly, the executive secretary of the Association of American Colleges; Rev. George Johnson, secretary of the National Catholic Welfare Conference; and Cloyd H. Marvin, president of the George Washington University here, as chairman.

We feel that there is a great deal to be said for the suggested bill, but there are two or three items in it which we should like to call to the attention of the committee, with the idea particularly of making some modifications to meet specific conditions which would then confront us if the bill were passed as it is today.

In the first place, from an immediate point of view, a considerable number of colleges and universities have made provisions for adequate annuities, which already puts a heavy burden upon the funds available for our pay rolls. Certain colleges feel that they are con-

tractually bound, unless this bill were to be so ordered as to recognize these obligations. This bill, as it now stands, it seems to us, would put a second tax upon our already too meager funds, so we simply call that particular item to the attention of the committee at this time.

In the second place, the institutions have gone much further in such matters as tenure of services, and in such matters as of adequately protecting the pay rolls of the institutions, and industrial institutions, and I would respectfully submit the following statement to that end.

These institutions, dedicated to the service of mankind and not engaged directly or indirectly in carrying on their activities for profit, sympathize deeply with the broad humanitarian purposes of the President's social-security program embodied in what is styled the "Economic Security Act." They wish, however, to point out to the Senate committee that, perhaps through inadvertence, this bill departs from a century-old public policy of English and American law and fails to exempt from the taxes imposed by the act, institutions organized and operated exclusively for religious, educational, and charitable purposes. The purposes of this memorandum are not in any respect to place these institutions in opposition to the objects of the bill, but to point out as earnestly as possible to the committee that the historic conception of public policy mentioned above operates as strongly in respect of the taxes imposed by this act as it does in respect of all other taxes from which, for centuries, institutions of this character have been exempted.

Taxes are a forced levy which the Government imposes upon the great body of its citizens to provide for—in the historic language of the Constitution—the common defense and the general welfare. For many centuries it has been believed that public policy was best served by exempting from these general levies institutions which were engaged exclusively in religious, educational, and charitable activities in order that they might be better enabled to pursue their humanitarian purposes. From a broad point of view they have always been regarded as arms of the Government. In the last analysis the problem has always been one, and always must be one, of evaluating social methods, for insofar as the Government diminishes by taxes the resources of educational and charitable organizations, it diminishes their capacity for service to their several communities and increases the burdens which must fall upon the Government.

This was never more true than at the present time. The inescapable result of imposing financial burdens upon these institutions at the present time is to enforce the curtailment of their activities in the very hour when the demand for their services to the community is greatest. There never was a time when the need for educational institutions, for hospitals, for medical research, or for the care of the destitute was greater than today. To meet these needs privately administered institutions must look to investments which have shrunk and to contributors whose contracted incomes make them less able than ever before to respond to the appeals which are made to them.

We have said above that it has been the historic public policy of this country to exempt educational and charitable institutions from taxation. The laws of practically all States and their political subdivisions exempt from local property taxes and from special

assessments the property of religious, educational, and charitable institutions. The income tax and inheritance tax laws of the several States also provide not only that the income of such institutions is tax exempt, but the contributions made to them are deducted from the taxable income or estate, as the case may be, of private taxpayers. The laws of the Federal Government exempt these institutions from income tax and also provide that contributions made to them may be deducted by other taxpayers in computing taxable income, taxable gifts, and taxable estates. Indeed the decisions of the courts of many of the States carry this principle beyond the realm of taxation and hold that such institutions are not liable in damages for the torts of their employees. The policy behind all of the laws and court decisions is that the community is best served by permitting institutions devoted to humanitarian work to pursue their purposes with undiminished resources.

The broad purposes of the Economic Security Act are threefold. Title I provides for old-age assistance for persons who, either because they are already of advanced age or for other reasons, are not able to build up the annuities provided for in title III. Title III provides for a contributory old-age fund to which both employees and employers shall contribute through taxes collected from the employers. Title VI provides for unemployment compensation to be provided by taxes levied upon the employers.

The taxes imposed by both title III and title VI upon the employer are a percentage of his pay roll on the theory that the industry in which the employee is engaged is socially responsible for old-age assistance and unemployment compensation and that these two factors are proper elements of cost in the article or service produced and as elements of cost must be paid for by those purchasing the articles or enjoying the services. There is here a vital difference between business organizations and educational and charitable institutions. The latter have no product or service for sale, but on the other hand are engaged solely in social service in the hope and in the belief that the results of their efforts are of benefit to humanity generally, first by developing human economy, again by reducing the human wastage which otherwise the community must bear. In fact the act itself recognizes this, because in section 3 it provides that old-age assistance, are "inmates of public or other charitable institutions." But the results of the work of these institutions is far broader than the care of the aged poor. By education and by medical care and research and in other ways their activities result in making self-supporting many persons who might otherwise become the objects of public or private care. These institutions earnestly believe and urge upon the Committee that their diminishing dollars, if left with them to be expended upon the educational and charitable purposes in which they are engaged, will lift greater burdens from the State than if taken from them for the specific purposes of this act.

Specifically, the institutions here represented urge upon the committee that the definitions of "employer" in section 307 (4) and in 606, page 43, line 23, which are now defined to exclude the Federal Government, the States, political subdivisions thereof, or other governmental instrumentalities, be broadened to include also "a corporation, or trust, or community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, or educa-

tional purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation."

On May 1 interpolate here that we have considered it a fundamental principle in this country that publicly administered institutions and privately administered institutions are all a part of our educational system. We started with privately administered institutions, but there is so much in common in the way of private institutions having public resources at their command, and publicly administered institutions having endowments, that you cannot make the differentiation, and none of us want in this country to make the differentiation. So we say, if we can make this broader at this point so there will be no differentiation in a fully accredited nonprofit institution engaged in education, your law would read thus: "To include also 'a corporation, or trust, or community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation.'"

The result of this amendment would not be in any way to deprive the employees of these institutions of the economic security which the act is designed to give them. It would simply result in enabling these institutions to continue the social work in which they are engaged by exempting them, in accordance with historic precedents, from taxes which would bear upon them with peculiar force. For these institutions, probably to a much greater extent than any business organizations, find a very large part of their annual budget devoted to compensation for services. They do not buy and sell or manufacture commodities. Their activities consist in the rendering by human beings of services to other human beings. Thus a much greater percentage of their total expenses consists in pay roll. Thus a tax based upon pay roll would take a greater proportion of their income than would be the case in a business organization. Furthermore, they have no source such as the cost of goods or services sold from which to recover this loss of resources. The only possibility open to them is to curtail their activities, and retrenchment in their case must mean not only the creation of the very unemployment which the act is designed to prevent, but also the curtailment of vitally needed social work.

Furthermore, the imposition of pay-roll taxes upon these institutions would not only be a departure from the historic precedent of taxation which we have already referred to, but would establish at the same time conflicting policies of taxation by the Federal Government, for the revenue act not only are these institutions exempt from income tax—Revenue Act of 1934, section 101 (6)—but contributions to them are deductions from the taxable income, gifts, or estates of the contributors—Revenue Act of 1934, section 23 (c); Revenue Act of 1932, section 505 (a) (2), and Revenue Act of 1926, section 303 (a) (3).

Thus the Federal Government will be in one series of acts encouraging the activities of private educational and charitable institutions by

while at the same time in other legislation it will be curtailing their activities by taking back in taxes some of the very income which it has already exempted. In harmony with the national policy respecting institutions of this kind followed up to this time is the action taken by the National Recovery Administration on or about September 8, 1933, "That schools, colleges, universities, churches, hospitals, and charitable institutions supported by public subscriptions, not operated for profit, except so far as they may be engaged in the operation of trade or industry, need not come under the provisions of the National Recovery Act." Congress, we believe, is not prepared to depart from the wise policy which for so many years has believed it desirable to foster private educational and charitable institutions. While the demands upon the State are continually increasing, and while the State now conducts both educational and charitable institutions, it is wise policy to continue as many of these activities as possible in privately administered organizations. The contributions which private organizations in the field of education, medicine, and research have made are clear proof of their value. They are a clear indication that such a drastic change in the system of education and the manner of caring for the sick as would result if private institutions as the result of taxation should be forced to become public institutions, is not one which we believe that Congress would willingly bring about.

We have said that the amendments which we have suggested will not deprive the employees of these institutions of any degree of economic security. So far as old-age systems are concerned, title I of the act recognizes that there will always be many persons who cannot be cared for under the contributory old-age annuities provided for in title III. Title I, undertakes to provide for their future by public funds, equally contributed by State and Federal Governments. These persons are not merely those who, at the present time, are of such advanced age that they will not be able to build up contributory annuities. They also include the large number of persons who are employed by State and local governmental instrumentalities, and the even larger number who are not employed but who conduct small businesses of their own. Sound weighing of social values would place in this group such employees of charitable institutions who are not able during their active period to provide for their old age.

Turning to the subject of unemployment, we believe that the considerations which make desirable a tax upon the pay rolls of business organizations in times of prosperity to provide a fund for unemployment compensation in times of depression, are not applicable to educational and charitable institutions. There is comparatively little unemployment in this field. The tenure for a large proportion of the teachers in privately administered institutions is permanent. During periods of depression, the work which these institutions are called upon to perform increases rather than diminishes. On the other hand, if the income of these institutions is diminished by a pay-roll tax which, as we have pointed, must bear with peculiar force upon them, there is a certainty that their activities must be curtailed and the number of their employees considerably diminished.

Furthermore, an unusually large percentage of those receiving compensation from these institutions would not participate in unemployment insurance benefits under the act, since approximately 60 percent of the persons on their pay roll are professional persons, or administra-

tive officers receiving more than \$250 a month. And, finally, it should be pointed out that the exemption of these institutions from the payroll tax proposed by section 601 would not mean that should any unemployment among their employees result, they would not, under State plans, be entitled to unemployment benefits. It would simply mean that just as the salaries of these persons when they are working are a social cost borne by contributions, so their compensation if unemployed would be a social cost borne by general taxation.

In presenting these views, the institutions here represented are not moved by any narrow or selfish interest. The funds which they expend are not their funds. They are given to them in trust by those who believe that the ends which they pursue are of paramount social importance. In the past, both the Federal and the local governments have had this same belief, and have acted upon the policy that social ends were best served by permitting these institutions to expend their trust funds for their educational and charitable purposes, without diminution by taxation. These institutions believe that this policy is more than ever sound at the present time and as applied to the present legislation.

The CHAIRMAN. Thank you, Doctor. That matter will be taken under consideration.

Professor James R. Kirkland, American Council on Education.

Dr. MARVIN. Professor Kirkland yields his time this morning.

The CHAIRMAN. Thank you very much. Miss Grace Abbott. Miss Abbott is editor of the Social Service Review and professor of public welfare, University of Chicago.

**STATEMENT OF MISS GRACE ABBOTT, CHICAGO, ILL., EDITOR
SOCIAL SERVICE REVIEW AND PROFESSOR OF PUBLIC WELFARE,
UNIVERSITY OF CHICAGO**

Miss ABBOTT. I wanted to speak about several of the points in the bill in which I am especially interested because of my previous work. I am most interested in the child-welfare and child-health aspect of the bill. However, I think we should say that in its larger aspect the whole measure will promote the welfare of children, because the welfare of children is promoted by unemployment compensation and even by old-age insurance and annuities, because the burden of the care of the aged upon those in middle age must usually be balanced against the proper care for the children. So that in the undertaking of this burden, we really get relieved by the family budgets considerable sums to go for children. So that in many respects this whole recognition of Government responsibility for social security means that the place of the child will also be made much more secure than it has been in the past.

I wanted to speak especially, before I talk about the child-welfare measures which are more specific in the bill, about the unemployment-compensation provisions, especially about the form in which the bill is drawn and the fact that, to a very considerable extent, standards are omitted from the bill.

I am really very much in favor of this form of the bill. I come to this conclusion because I think it represents a national scheme with State cooperation, and I think, after all, that is about the most that we ought to expect in our federal form of government. If it is upheld

by the courts and experience shows that further uniformity is desirable, it is perfectly possible to add to the standards at any time, because the legislation will be in existence then. We will have a national framework, at least, and within that national framework the States are given certain authority.

We have under the proposed bill uniformity in the tax levy, so that the competitive aspect is withdrawn. We also have uniformity in safeguarding the funds. We have uniformity in the establishment that shall be at least a fund that exists, with not more than 1 percent contracted out, and that by individual firms and corporations, and with the terms under which they can contract out safeguarded by the bill. So I think we begin with a minimum of standards and we allow for great diversity then in development. While this creates confusion, it is almost an inevitable confusion, in view of the very different industrial developments that there is in different parts of the country.

Moreover, I am very strongly for it on another ground, and that is should the Federal statutes not be upheld if the present form of the Wagner-Lewis bill is followed, we shall then at least have the State measures, and that, I should think, was almost the deciding factor in favor of this as compared with what has been perhaps misnamed the subsidy form. In the President's Advisory Committee on Economic Security, the majority of the members were in favor of the so-called "subsidy" form, but in the report of the council that we sat with, all of the members recognized that each type of Federal law has distinct merit, and they wished their vote to be interpreted not as necessarily approving either type of law but merely as preferring one to the other.

So I think the present form of the Wagner-Lewis bill will give us what we need, pressure at the present time on the States to enact unemployment-compensation laws, and at the same time a Federal shell which can be extended as experience indicates it is necessary to be extended, and standards can be added as they need to be added. If you take, for example, the question of what ought to be a bottom wage in it, the difference between the North and South is so great that if we wrote into the law a standard of \$10 a week, we would have one section of the country saying it was too high and another saying it was too low. And on such questions as how long the benefits shall run, there are very different opinions. If we have a long waiting period, those who are unemployed for a long period will get more and those who are unemployed for a short period will get less. A larger number are unemployed for a short period, and it may be for the benefit of the working group to have a larger amount for a short period than to have the long period at a very low rate, as the English have done, such a low rate that it merely is the destitution level and nothing more.

Then I wanted also to speak about title II.

Senator COSTIGAN. Miss Abbott, before you proceed, may I ask whether social-welfare experts, among whom you are conspicuous, are agreed in the recommendations you are making to the committee?

Miss ABBOTT. No; there would be very serious disagreement inside the group. We are located in the country at large.

Senator COSTIGAN. In this morning's copy of the Washington Post, I noticed a reference to a statement issued by a distinguished

group of such experts, in which apparently they laid stress on the importance of grants-in-aid by the Federal Government to States, and the maintenance through that type of legislation, of minimum standards in the States. You are familiar with that type of recommendation, of course. If I understand your testimony, you do not join the group who make that recommendation.

Miss ABBOTT. No; I do not, at this stage. I think we have in the Wagner-Lewis type of bill, a basis for that, if we desire. It can be added on at any time. We can put more standards in, and if the bill is sustained and the experience warrants, then I think the standards should be written in. We have minimum standards now.

Senator COSTIGAN. In other words you approve minimum standards?

Miss ABBOTT. I do.

Senator COSTIGAN. But you feel that even more important at this hour is the enactment of legislation which looks to the great ends of social betterment?

Miss ABBOTT. Yes. I think we are not at all agreed as to what minimum standards we would write in, because we have no experience on which to write them. If we say we want 4 weeks' waiting period and so many periods of benefit, we have actuarial figures on which a guess is made, but those actuarial figures are based upon "snakes and snails and puppy-dog tails" as far as statistics are concerned. There is no data that is adequate. We have kept no record of unemployment in this country which enables you to make a Nation-wide statement about it. We shall begin with this system. We will then know what our funds will give us, and we shall not know until we get that type of material. To write in a short-waiting period, a long period of benefits and a high rate of payment as a gesture, when we do not have the information on which to do it, seems to me not to be warranted.

Now in the terms of the Wagner-Lewis Act, it is especially provided that such funds as are collected must all be spent for benefits. So that with the exception of the small amount that is taken out for administration of the act, so that we are sure that that must go for this purpose, and as long as we are sure that that must go, I am very eager to see some experimentation, with short waiting periods and high rates of benefit, and so on, and find out which, after all, works out to the best advantage of the working group here in this country.

Senator COSTIGAN. Mr. Paul Kellogg, editor of the Survey Graphic, testifying here the other day, said in part:

Such minimum standards should let every wage earner in the United States know, no matter where he lives or works, the least he can count on with respect to the share of his wages that would go to him as benefits, the length of the benefits, the waiting period, the work record that will qualify him for benefits, his standing as a part-time worker, the worker who moves from State to State, his rights to work benefits, equal cash benefit to States, and the other terms which are the measure of security.

Do you except from your remarks any of these standards?

Miss ABBOTT. I would except a number of them as being applicable at the present time. I do not think it is possible to write into this bill what we want now in the way of waiting periods, amount of benefits, and so on, because we really do not have it, and when we get the Federal law, we do not experiment with whether it is better in fact, to have a longer waiting period and then a longer period of

benefits for the unemployed, or a shorter waiting period and not have it run as far, and various other things of that sort, we get only the one.

Senator COSTIGAN. Nevertheless, if I understand you, you regard these as desirable, ultimate legislative and administrative ends.

Miss ABBOTT. Yes, I do; after we get the experience on which they can be based. But even so, I think there will be some standards which ought to be written into a State law, which it would be very difficult for many years to come to write into a Federal law, such as the bottom of what the payment shall be, and the upper of what the payment shall be, because of the difference in wage scales in different parts of the country. So I think this general language has real advantages.

Senator COSTIGAN. Mr. Chairman, I suggest, in connection with one of the questions asked Miss Abbott, that there be placed in the record the statement published in this morning's Washington Post, which states the views of certain prominent social workers.

The CHAIRMAN. That may go in following Miss Abbott's testimony.

Miss ABBOTT. I wanted to speak also about the provision for the care of dependent children, title II of the bill. These acts are commonly known as "Mothers Aid Acts", although they are not aids for mothers—they are aids for children.

The first law of this sort was passed in Illinois in 1911. I have been making, with one of the graduate students, a little study of mothers' pensions and we find that while Illinois is very much in favor of them and was, as I say, the State to lead off with the first mothers' aid, that the present provision is quite inadequate. That is, for example, on January 25, 1935, in Cook County there were 1,434 families, with 4,186 children on mothers' aid. Now the number of mothers on the waiting list for this, at the Juvenile Court, was 7,942, with 1,434 getting aid, and the number being cared for on relief rolls who were entitled, in the opinion of the relief administration, to mothers aid, but for whom funds were not available for that purpose, amounted to 3,870. So that there is a very large number who are eligible but who are not getting mothers' aid.

More than that, in some counties, no mothers' aid was being granted. The average grant varied greatly. It varied, for example, from \$19 per child per year, as an average grant in Jackson County, Ill., to \$274 in Woodford County, \$194 in Cook County, and \$238, for example, in Lake County. So that the provisions being made for children varied very seriously and needed to be straightened out.

In Illinois, the local counties are contributing, roughly, a million and a half toward the public care of children. The State is contributing another half a million. As you can see, this by no means takes care of the problem.

Now, the numbers who are in need of care of this sort have vastly increased as the result of the depression. That is, mothers who under normal circumstances would have been able to take care of their children without outside assistance, have lost their little savings through banks that failed, through insurance companies that failed, and through the fact that others who have contributed to their support and enabled them to take care of their children are no longer able to do so.

Now, the basic principle of the mothers' aid law is that we know that when a woman is left with children to support, and she belongs

not to the highest paid but to the lower income group, that she cannot possibly carry both the burden of supporting the children and of caring for the children. If we undertake to have her support the children, we do it at great cost. The children can be taken care of more cheaply in their own homes by their mothers than they can be taken care of in foster homes or in institutions. It, therefore, is not only sound from a humanitarian and child welfare standpoint, but it is economically sound also, and this grant-in-aid which it is proposed shall be made available to the States, and which it is proposed should contemplate increased State contributions, will mean that these waiting lists will largely be wiped out.

At the present time we estimate that there are about 300,000 children in the country being taken care of under mothers' aid provisions, and that there are at least another 300,000 that would or should be eligible today who are not getting the mothers' aid, and consequently the number ought to be just about double.

The amount that is given in the bill is not as much as is now being spent by the relief administration for the care of families that roughly come into this category. I say "roughly" because they haven't actually been investigated to find out whether they meet every one of the legal requirements of the mothers' aid laws in the various States, but they generally belong in that category.

Senator BLACK. Excuse me just a minute.

Miss ABBOTT. Yes.

Senator BLACK. You said the amount is less. Do you have the figures there of how much the relief administration is spending?

Miss ABBOTT. I do not have it so I can give it to you easily. I would be very glad to put it in the record. I have it in my notes, but it will take a little time to find it.

Senator BLACK. You say the amount is less. Do you recall how much less?

Miss ABBOTT. Something like \$10,000,000 or \$15,000,000 less, but I should be very glad to put that into the record.

These laws are predicated on the theory that long time care is necessary for the children, that the mother's services are worth more in the home than they are in the outside labor market, and that consequently she should be enabled to stay home and take care of the children, and we expect she will have to do so until the children reach the working age. Consequently the great value of putting the mother in a separate category for mothers' aid is that you establish and give security then to the mothers on this basis in the care of the children, they know what they are going to get, they know they are going to get it over a period of years and they can really plan for it, so it is much better done that way than it otherwise would be.

Now, I am sorry to say I do not agree with the lodging of the administration of the mothers' aid in the Federal Emergency Relief Administration, or, as the Act provides, such other Government bureau as the President may designate. This contemplates permanent legislation. The Federal Emergency Relief Administration is temporary, it deals with temporary agencies in the states. The mothers' aid laws are administered by permanent agencies in the States, and, generally speaking, we hope they will be administered State departments of public welfare and local departments of public

welfare. It seems to me a very great mistake to lodge this in the Federal Relief Administration. I think it belongs in the Children's Bureau, where the mothers' pension has been a subject of study for all the years that the Children's Bureau has been in existence, and I think you would find that state departments of public welfare would generally prefer administration by the Children's Bureau to administration by the Emergency Relief Administration which is, after all, in another category entirely, as a temporary emergency administration.

Then I would like to speak also about the child-health provisions of the bill, and the general health provisions of the bill. I am very much in favor of this provision of grant-in-aid to be administered by the Children's Bureau for the promotion of the health of mothers and children.

That there is at the present time a great need for this legislation is evidenced by the fact that, generally speaking the child-hygiene divisions of the State departments of health have suffered very much during the depression. Their budgets have been seriously cut and their effectiveness has thereby been greatly lessened.

We always need, in addition to the provision that has been made for the general health, a special provision for the children. The measures that take care of adults are not adequate for the care of children, because childhood is a period of growth and development and we need a special program, if we are going to insure maximum care of the children, development of the children.

I am especially struck with the need of this when I see the difference in the urban and rural rate of infant mortality. Now, one would expect, of course, that the rural rate would be lower than the urban rates. Normally the country is regarded as a safer place for children, and it ought to be a safer place for children. It has one of the advantages that belongs to country children as a birthright. Although they miss certain other opportunities, at least it should be a healthier place for children to be. Well, now, it used to be. But as the services for the care of children have been developed by city health departments and infant welfare societies, and other agencies of that sort, the urban community has gained on the rural community, so that since 1928 the urban infant death rate has been lower than the rural infant death rate. For example, we had in 1918 an urban death rate of 108 and a rural death rate of 94. By 1920 the urban death rate was 91 and the rural rate was 81. By 1929 the urban rate was 66 and rural rate was 69. That meant that the rural rates, when you go through it in detail, were higher than the urban rates in 22 States. Those 22 States are Arizona, California, Colorado, Connecticut, Delaware, Florida, Illinois, Maryland, Massachusetts, Minnesota, Montana, Nevada, New Jersey, New York, North Dakota, Oklahoma, Oregon, Pennsylvania, Utah, Vermont, Washington, and Wyoming, a very representative list as far as coverage is concerned. Since that time they have varied somewhat. Sometimes the urban rate has been a little higher, or the rural rate, where they were close together, has remained higher.

I have these represented in two graphs, one for the birth-registration areas since 1915. The dotted line is the rural area, and you will see in 1929 it passed the urban and became higher than the urban rate was, and has remained higher from that time on.

This one is for the area as of 1921, because that is a constant area. The numbers in the birth-registration area having increased since that time, so it is a little more accurate. I should like to leave these with you.

The CHAIRMAN. I wish you would properly designate them so they can be identified, and I wish you would turn them over to the clerk.

Miss ABBOTT. I would be glad to.

Senator BLACK. I do not exactly understand who is included in that death rate. Does that include all the deaths that occurred?

Miss ABBOTT. No; the babies that died in the first year of life. It is the proportion of those that were born and that died in the first year of life.

Senator COSTIGAN. Miss Abbott, have you given an explanation of your reasons for these changes in relative death rates?

Miss ABBOTT. I would like to reemphasize that. The reason is that we have steadily developed in the urban area the type of services that enable the mother to give expert care in the raising of her children—the rearing of her children—and she does not get those in the rural areas. The reason why we want this money to be distributed through the child-hygiene divisions of the State departments of health, in cooperation with the Children's Bureau, is to make available in rural areas the same type of facilities that in the urban areas have reduced infant-mortality rates, and we hope very much that we shall get an opportunity to do what it seems to me means a restoring to the rural child what ought to be its birthright, not the same rate but a lower rate than the urban child has, because it ought to be easier to do it in the country than it is in the city, where the complications of one kind and another make it harder to safeguard health than it is in the rural area.

Now, of course, the unit cost in the rural area is higher than in the urban area because of the numbers that are served in the small area in the city and it is for that reason that we think a subsidy is particularly needed in order to make sure that the interests of the child are safeguarded.

Senator BLACK. Miss Abbott, would you be diverted if I asked you a question?

Miss ABBOTT. I would be delighted to have you ask me any question you want.

Senator BLACK. I am interested very much in the observation you made. I am wondering if you would go a little more in detail as to what, in your judgment, has brought about this decreased mortality in the city, what nature of services. In other words, somebody will say, "Well, they have more doctors who can wait on them."

I would like to get your idea as to how much of that you attribute to State health and Government health agencies. In what way has that help been given, whether by medical treatment, nurses, hospitalization, or how?

Miss ABBOTT. Well, of course the greatest value, so far as the children are concerned, is to prevent them from becoming sick, and the way to prevent them from becoming sick is to have them under medical supervision from the beginning, and they get good medical supervision in large numbers through child-health centers that are established in urban communities by city health departments. The mother goes there with her child and she gets instructions in the scien-

tific care of the children, advice is given as to feeding, the child is weighed, the child is kept under care. If the child is sick, it is sent to another place. This is a preventive health measure that I have in mind here and not the care of the sick children.

Of course, there are many factors in a low infant-mortality rate but the most important thing in not only reducing the infant-mortality rate but of making the children healthier, stronger, better children is this education of parents in the care of children. Mothers do not know, just because they are mothers, how to care for children in a scientific way, and if they get that supervision, they do know it.

Now, of course, a well-to-do mother employs a pediatrician to supervise the child. The poorer mother goes to the child-health center for the same type of supervision, and, more than anything else, that is the explanation of the reduction in the death rate. Of course, it is a very low measure of the effectiveness of such centers, because, after all, just keeping your life is relatively little. The point is that they are not only kept alive but they are enormously happier, they are better-developed children than they are under the other circumstances.

Senator BLACK. Do I get it clear that your idea is the well-to-do get no better service, necessarily, than they did, but the benefit comes as a whole from the fact that those who have heretofore been unable to obtain the proper training and learned the method of preventing disease have a chance to grow and get it without cost to themselves?

Miss ABBOTT. Yes. Of course we have done a great deal in educating parents in child care. For instance, the Children's Bureau publication "Infant Care" has been circulated by millions, it has been sold by millions as well as circulated free, it is in the hands of the mother and is a scientific instruction in the care of children. It has been written by some of the ablest pediatricians in the country, in cooperation with the pediatricians for the Children's Bureau.

No two children are alike. They talk with the doctors not in terms of a general child but in terms of the individual Mary or Johnnie, with whom the advice on infants' care does not work, and consequently they need explanations, and of course all of us profit by that kind of checking it out, as well as by reading about it, and consequently we need that child health center.

Now, the thing that would be done is that in the child-hygiene division of the State department of health they would try to establish this type of center in a rural area. A great many have been established in rural areas, and there is a chance for them to get that information, but it is very, very far from being adequate over the country. The numbers have been reduced during the depression, consequently there has been a real loss as the result of that fact.

I think, unless there are some questions, that I will not undertake to say anything more. I did, however, have in mind to say, when I was talking about unemployment compensation, that I feel very strongly, if I may revert to that, that employees should not be taxed. If we tax the employees, it merely becomes a compulsory saving device and it is not a matter of fundamental justice to employees in this matter of unemployment. Even if we enact the Wagner-Lewis bill, and any type of State bill that I have heard under consideration, the heaviest burden of unemployment will fall on the worker. That is,

he has a waiting period in which he bears the whole cost of the unemployment. During the period that benefits are paid he gets not to exceed 50 percent of his wage for a limited time, after that he becomes again dependent upon his own resources. So that the heavy burden will fall upon him in any event.

It is, therefore, extremely important that we should not have an employee contribution. On page 31 of the bill, section 5, the language there suggests that it is contemplated that employees should contribute under the State laws, and I think that that language ought to be amended.

Senator COSTIGAN. Are you referring now to unemployment insurance, Miss Abbott?

Miss ABBOTT. Yes; section 5, on page 31, Senator Costigan, it says: "All of the money raised by contributions of employers and employees under such State law." I think, at least, it should be: "And in the event that employees are taxed under such State law." It does not seem to say that we are actually contemplating a tax on the employee, in addition to the fact that the worker will bear the heaviest part of the burden anyway. The employer gets a chance to pass on, in most cases, most of what he pays. So it seems extremely important. If I were to write any standard, that would be the first standard I would write in, that the employees should not have to pay.

Senator COSTIGAN. Miss Abbott, when the bill now before this committee was introduced the announcement was made that the general program is to turn back to the States the unemployables and to employ the employables under a public works act, in order to get away from what has been popularly termed the "dole." Is it your judgment, as a long-time student of this problem of unemployment, that there will be no further need for direct grants-in-aid to the unemployed if a liberal public-works program is inaugurated?

Miss ABBOTT. Well, Mr. Senator, I am very much in favor of a public-works program. I should like to see it, however, fixed so that those who were to be employed on it were not limited to those on relief. If we limit it to those on relief, as is proposed, we shall have the relief rolls continue to grow instead of decline, because it will be the only way to get a certain type of security.

I also do not believe that by any stretch of the imagination it is possible to put all the employable to work on the public works program. After all, there are a large number of people who are employable who could not work on public work. There are, for example, a very large number of women who are unemployed and who are not eligible for that type of work. To label them "unemployable" is of course to misbrand them and injure them very much.

There are also types of people, most of those I see before me, and myself, who would not be employable on any such basis and who yet would be employable for many kinds of work. I think it is a great mistake to attempt to put in what is, after all, an unscientific category, the category of employable and unemployable, because of the fact that the employable depends on the labor market. If there is a great demand for labor, almost anybody can get a job. For example, during the war period, the so-called "unemployables" that we had in Chicago, along Madison Street and Canal Street, disappeared entirely, the queerest stick could get a job, and could get a job of the kind that he could get on at, and his employer was prepared

to take a little trouble to fit him into a position in which he could do the work, so that the group almost entirely disappeared. Very seriously handicapped people got jobs. At this time, when there are millions to pick from, it is easy to label anybody that you did not like the looks of as unemployable. Of course, that seems to me a very unscientific category. It cannot be carried out.

I think we shall have to have grants-in-aid for the relief administration, and I think it is only fair that we should have that in a definite form. I should be glad to have that put in a definite form, in a legislative form, so that the States would assume a more uniform share of responsibility for the care of the poor who remain unemployed after the public works program is put into effect, because I am sure that it will amount to about 50 percent.

Senator COSTIGAN. Would you say, Miss Abbott, that it will be greatly emphasized if it should appear that many of the States regard themselves as unable to take care of their own unemployed?

Miss ABBOTT. Yes; I think it would, and I think the testimony as to that, the social-work group would be united with me on that. We might differ as to the form that an unemployment compensation act would take, and vary greatly as to the health insurance provision, or something else, but as to the fact that those in need will not be taken care of completely if we send back to the States all of those who cannot be employed on a work program, I think it is impossible to send them back.

Senator COUZENS. Have you devised, Miss Abbott, any way for the States to do a greater portion of this relief work for the unemployed?

Miss ABBOTT. Well, Senator, I think that as it is now when all that we do is negotiate with them, enter into a game of bluff and see which one gets the most from the other, it is not possible to do it. Some of the States are much more successful at that game than others, apparently, because the rates differ tremendously as between States, and I think that if the rate of the grants-in-aid were actually fixed in the statutes, the States would know what they could expect and they could meet it. As it is now, it is a general hopper out of which everybody plucks something, and they all try to get as much as they can, with the result that New Jersey gets much more than Nebraska, and Florida gets more than New Jersey, and so on around. I do not know why, but that is the way it goes. I think that we could have some elasticity so that areas of special need were to get a larger amount, but I think the basis of that ought to be definitely fixed by some indexes just as we do in an equalization fund in the State, so that we had an equalization fund which would take account of the real differences in the States and as to the ability to meet the needs, just as we do as between counties in our equalization fund.

Senator COUZENS. What you have said is very interesting but you have not answered my question yet as to how these States should raise the money for their proportionate share.

Miss ABBOTT. They would not raise it by any single formula. Some of them would raise it in one way and some would raise it in another.

Senator COUZENS. So you have not devised in those States any formula for raising this money by the States?

Miss ABBOTT. No. Some of them have no income tax and they could throw an income tax. Some of them have no bonded indebtedness, and they could have bonded indebtedness. If they cannot raise it, I am in favor of the Federal Government raising it.

Senator COUZENS. Do you believe the Federal Government should adopt a form of tax, and the States another, and confusing the tax system and tax situation all over the country?

Miss ABBOTT. I do not think it would confuse it. I would be glad to pay an income tax in Nebraska.

Senator COUZENS. There have been a lot of meetings held in Boston and elsewhere by Governmental official in an effort to develop a unified taxing system. This idea would still further complicate that.

Miss ABBOTT. When we leave to the States only the general property tax, we make it pretty hard.

Senator COUZENS. There is no way that the Federal Government could reach all of those people.

Miss ABBOTT. By contributing, you mean?

Senator COUZENS. No; by taxation.

Miss ABBOTT. Yes. I am in favor of the larger area of taxation, and I am in favor of the Federal Government staying in the picture, and I am in favor of the Federal and State cooperation on the general public assistance program.

Senator BLACK. Miss Abbott, following up the figures you gave us a few moments ago on children up to a year, I have some figures here which I shall not give you in detail because I know you are familiar with them, but I wanted to get your idea as to the reasons for this, from your vast experience. Let us take, for instance, the State of California. We find that the percentage there of 65 and over is 6.7 percent; we find that the percentage of 5 to 19 is 23 percent. Take the State of North Carolina, the percentage of 65 and over is 3.7 percent.

Miss ABBOTT. Of the aged, you mean?

Senator BLACK. Yes. And from 5 to 19 goes to 37 percent; in other words, from 5 to 19 is 37 percent in North Carolina as against 23 percent in California; but those who manage to live on over 65, by the time they do that in California, it is 6.4 percent as against 3.7 percent in North Carolina. Take my State, Alabama, it is 3.8 percent over 65 and 35 percent from 5 to 19. Take Maine, 8.6 percent over 65 and 27.9 percent from 5 to 19.

Senator COSTIGAN. Have you the average for the country?

Senator BLACK. I have them for each particular section.

Senator COSTIGAN. You have not the average percent over 65 for the country?

Senator BLACK. No, I do not recall the average for the country, but I find that for instance an old age pension as it will operate, of course it will put a great deal smaller amount of money in the States where they have the fewer aged, and to that extent it is interesting, but if we attempt to benefit all of those who need it, it is necessary, as you said, to go further into the idea of medical treatment and preventive medical treatment and things of that kind.

Miss ABBOTT. Then we will have more to take care of because they will live longer.

Senator BLACK. One of the objects of government is supposed to be to see, if it is as I understand it, that they have proper treatment

Miss ABBOTT. Yes.

Senator BLACK. What in your judgment are the underlying reasons why in some sections they have so many more in proportion of children and so many more in other sections reached the age of 65?

Miss ABBOTT. Of course, you get a higher birth rate in some sections than others, and in that case you have more children. If they do not settle in that State and migrate from those States, you have them migrating, as adults. There are certain areas to which the aged migrate. They migrate to a warmer climate in large numbers, so that you get a heavy percentage of the aged in that group, and of course the death rate itself would explain it. If you have a high death rate, not as many would live to be past 65 as a low death rate, so there are many factors in it.

Senator BLACK. That shows, does it not, carrying out your idea of a few minutes ago with reference to the children, that in certain States where they are poorer and have advanced as far as they might, in order to try to take care of people and give them preventive measures and medical treatment, that we have an unnecessarily high death rate, simply shown by the figures which we cannot escape.

Miss ABBOTT. There is no question that the death rate can be reduced and should be reduced, and there is no question also but what even more important than the actual death-rate figures, which is the only statistical method of measuring the benefits of our preventive program, that as we reduce the death rate, we also increase the physical efficiency of the people so that those that live function more efficiently and with fewer illnesses and hazards and handicaps of that sort than they would if we did not have those preventive programs. We have no way of putting that into the record the way we can the death rate, but the death rate alone is a very accurate measure of the benefits.

Senator BLACK. Those are striking indications of the fact that there are millions of people in those places that are suffering from undernourishment and debilitating weaknesses which could have been prevented and are prevented in the other places.

Miss ABBOTT. Yes, sir.

Senator BLACK. And is it not also a rather strong argument for what you said you favored, of an award by the Federal Government to those States which are backward in that connection?

Miss ABBOTT. I think it is very important, and of course there are areas in every State that are backward and that has a very heavy burden to bear. The individual counties in the States are very uneven in their ability to bear the burden, and I think we should have inside the State as well as from the Federal Government to the States, the equalization principle in the distribution of the fund. Unless there are further questions, I am very much obliged.

Senator COSTIGAN. Senator Black, will you please put in the record the figures for Colorado?

Senator BLACK. I do not have the figures for Colorado specifically, but I have it for sections of the country. The Mountain States are, over 65, 4.9 percent; from 5 to 19, 30.8 percent.

(The newspaper article referred to by Senator Costigan is as follows:)

[Reprinted from The Washington Post, Feb. 19, 1935]

GROUP OPPOSES INSURANCE PLAN IN SECURITY BILL—UNITED STATES PROPOSAL TO PROVIDE FOR IDLE HELD UNSOUND, SUBSTITUTE URGED

The unemployment-insurance provisions of the social-security bill were assailed as inadequate and unworkable in a joint statement issued yesterday by a group of labor leaders, social workers, editors, and university professors.

The statement, while commending the old-age-pension provisions of the bill, declared the unemployment-insurance provisions would produce "a multiplicity of diverse and uncoordinated State programs", and that they would result in a duplication of tax-collection machinery.

Moreover, the statement declared, "the present proposal levies the tax on the earnings of all employees including the highest-paid executives, yet the States are left free to limit benefits to workers earning less than designated amounts."

POINT TO FLAWS

"Workers moving from one State to another are left wholly unprotected", it continued, "while under the subsidy system it would be possible to provide for such workers by a simple administrative device."

The statement urged the adoption of an unemployment insurance plan based on Federal subsidy and adequate minimum standards for State laws.

"The subsidy plan", the statement said, "will foster effective Federal-State cooperation in the development of an unemployment-insurance system suited to our national needs. It is simple, clear, and certain, and easily and economically administered. It would achieve a substantial measure of uniform protection and yet leave the States free in making more liberal provisions. At the same time it would guard effectively against unfair competition among the several States."

GROUP SIGNING STATEMENT

The statement was signed by the following: Prof. Barbara N. Armstrong, University of California; Bruce Bliven and George Soule, editors of the New Republic; Prof. Paul Brissenden, Columbia University; Prof. Douglas Brown, Princeton University; Prof. Eveline M. Burns, Columbia University; Prof. Edward Corwin, Princeton; Abraham Epstein, executive secretary, American Association for Social Security; Prof. Carter Goodrich, Columbia; Prof. H. A. Gray, New York University law school; William Green, president American Federation of Labor; Helen Hall, head worker of the Henry Street Settlement; George L. Harrison, president Brotherhood of Railway Clerks; Stanley M. Isaacs, President United Neighborhood Houses, N. Y.; Paul Kellogg, editor of Survey; Estelle Lauder, executive secretary of the Consumers League; John L. Lewis, president United Mine Workers of America; Prof. Broadus Mitchell, Johns Hopkins University; Mary K. Sinkhovitch, head worker Greenwich House, New York; Prof. Sumner Slichter, Harvard University; Bruce Stewart, author; Robert J. Watt, executive secretary Massachusetts Federation of Labor; Margaret Wiesman, executive secretary Massachusetts Consumers League.

The CHAIRMAN. At this point in the record I am submitting a letter relating to S. 1130 which Senator Gore has received from Mr. Roger Sherman Hoar, attorney at law, 1265 Fairview Avenue, South Milwaukee, Wis.

(The letter is as follows:)

SOUTH MILWAUKEE, WIS., February 14, 1935.

HON. THOMAS P. GORE,
United States Senate, Washington, D. C.

DEAR OLD FRIEND: Fortunately you are a member of the committee to whom the Wagner social security bill has been referred.

I believe that you well understand the difference between a State unemployment reserve law (which, by making unemployment a direct cost of the individual establishment in which it occurred, would stimulate steady employment) and an unemployment insurance law (which would actually increase unemployment by

enabling each irregular employer to pass off onto a State fund the cost of his own irregular operations).

Cannot we depend upon you to stand out to the last ditch for amendment which will permit absolute State freedom of choice, subject only to the requirement that contributions by an employer under a State system can be deductible only if the State law is amendable?

Certainly using this law to bolster up the Wagner-Peyser system of Federal employment agencies, and the requirement of depositing all unemployment funds with the Federal Government, and the requirement that all State laws recognize section 7 (a) of the N. I. R. A., are all absolutely dragged-in and irrelevant.

The adequacy of contributions will be automatically taken care of by the natural desire of employers in the various States to avail themselves of the maximum possible set-off against the Federal 3-percent tax.

The stimulus to regularization intended by sections 607 and 608 will not be realized, unless the criteria of these sections be made much less stringent. Why not merely provide that any system of scaling down contributions to correspond to reduced unemployment in the establishment of the employer, shall be acceptable, if the Secretary of Labor certifies that such system adequately protects the employees against a consequent reduction of benefits?

With best personal regards,

Very truly yours,

ROGER SHERMAN HOAR.

The CHAIRMAN. The next witness is George B. Chandler, of the Ohio Chamber of Commerce.

STATEMENT OF GEORGE B. CHANDLER, REPRESENTING THE OHIO CHAMBER OF COMMERCE

Mr. CHANDLER. May I state, Mr. Chairman, that as you know, I come from a State which is fourth in point of wealth and population in this Union and third in point of production, and I represent the largest State-wide business organization in the State, comprising every line of business, including agriculture, the learned professions, manufacturing, banking, and those groups which enter into normal society. I represent some 4,000 members, and I represent over 100 local chambers of commerce which are members of our organization; therefore we come to your committee respectfully, and I am sure you will listen to some of our views even though they are not in accordance with the obvious views of this committee.

May I first be permitted to indulge in two general observations: first, that Ohio business protests against the coercion of the States by the Federal Government as represented by the assessment on pay rolls and in other ways. We deem this procedure repugnant to American institutions, destructive of the historical relationships between State and Nation, and calculated in the end to do permanent harm and little immediate good.

Senator KING. Will you pardon me if I ask a question?

Mr. CHANDLER. Yes.

Senator KING. Didn't your State levy a tax on pay rolls for insurance?

Mr. CHANDLER. For unemployment insurance?

Senator KING. Yes.

Mr. CHANDLER. We have not yet. It is being considered.

Senator KING. Is that not expressed in a report and in a bill which was passed?

Mr. CHANDLER. In a bill which was passed? There has been no bill passed by the Ohio Legislature.

Senator KING. That was recommended in a report?

Mr. CHANDLER. It was recommended in the report of a committee appointed by Governor George White.

Senator COSTIGAN. Are you opposing that measure?

Mr. CHANDLER. We did at the last session of the general assembly, because it would place us in competition with other States adversely. The second observation is of a general nature, and I hope you will be patient with me although it seems more or less platitudinous. Ohio business believes that legislation of this class will permanently weaken the fibre of the American people. Self-reliance has been the key to American success. It has been the initiative, thrift, and self-sacrificing foresight of the individual and the family which has brought this country to its proud position. And I say, "proud position" advisedly even in the midst of this depression. We are incomparably in a better position than any other nation in the world.

This legislation starts this country on a pathway from which there will be no retreat in the course of the next two generations. When the time comes, as it surely will, to reverse these policies, incalculable harm will have been done to the character of the population.

Only the other day when there was a blizzard in New York, it was impossible in this period of unemployment to get men to work. I live in a suburb of Columbus, where men used to apply at the door every day for work and we tried to give them work. No more apply any more; there is no application for work.

Gentlemen of this committee, I want to say in all seriousness that this Nation can recover and will recover from the economic depression in which we are now floundering. We recovered in the panic of 1873, which ran for 6 years and was about as serious as this. We recovered under our own power; but, gentlemen, the loss to the morale of the people through this period and through the methods which have been adopted to alleviate it is something which I will not say is incurable, but whose result will persist for one or two generations; it is the most grave situation which this Nation is facing. And, to enter upon a broad policy whereby the individual is relieved of the responsibility for his unemployment, for his old age, for the care of his children, you are entering upon a pathway which has destroyed other nations. The downfall of Rome started with corn laws, and legislation of that type. I say that and I hope you will be patient with these general observations.

While Ohio business as represented by our organization opposes this legislation by the Government in Washington in toto, it respectfully makes certain suggestions in the event that it is the will of the Congress that this legislation be passed.

The CHAIRMAN. Has this been submitted to the various branches of your organization?

Mr. CHANDLER. Yes; and I am glad you asked that question. Every conclusion of our chamber must pass through four stages; first, research by the staff of the research department of the organization; second, reference of the subject to a special committee, in this instance through our committee on stabilization; finally, an action by the board of directors of the chamber, which is a body of 60 members, a miniature legislature which determines the business policy, and where ordered by the board of directors, a referendum of the members. We had a referendum on this general subject of unem-

ployment insurance about 2 years ago. In other words, it goes through a very thorough study.

The CHAIRMAN. Did your organization oppose your State law on unemployment insurance?

Mr. CHANDLER. We did, 2 years ago.

The CHAIRMAN. Did your organization oppose the old-age pension in your State?

Mr. CHANDLER. Yes, sir; for reasons which I have stated here.

Senator COUZENS. Were your membership unanimous in their conclusions?

Mr. CHANDLER. On the referendum, if I remember right, it was overwhelming, but never unanimous, of course.

Senator COSTIGAN. Do you oppose old-age insurance on the ground that it would weaken the fiber of the American people?

Mr. CHANDLER. Absolutely.

Senator COUZENS. What is your position with the Ohio Chamber of Commerce?

Mr. CHANDLER. I am the manager, the secretary of the chamber, and the statement which read comes from our membership and is signed by the president of the organization. However, I am here to discuss unemployment insurance primarily.

When you take away from mankind the impulse to save for his own old age, you have destroyed one of the fundamental elements of human character.

We are in agreement with the authorities here in Washington, the President's Commission, that the funds if you pass the bill, should be deposited with the United States Treasury.

The CHAIRMAN. You are in disagreement with the United States Chamber of Commerce, are you not?

Mr. CHANDLER. I do not think so.

The CHAIRMAN. Mr. Harriman representing them the other day was very broad and very liberal in his observations in reference to this matter.

Mr. CHANDLER. Quite likely. I am not speaking for Mr. Harriman.

The CHAIRMAN. Mr. Harriman was speaking as the president of the United States Chamber of Commerce.

Mr. CHANDLER. Yes.

The CHAIRMAN. You are a member of that organization?

Mr. CHANDLER. Oh, yes; but we are not bound by the conclusions of that organization, and I would be very much surprised if Mr. Harriman's views regarding the general policy were not largely in accord with our utterances, although he may have been somewhat more tactful in his statement.

Senator KING. You still have some regard for the rights of States in business as well as politically?

Mr. CHANDLER. We have a lingering regard, Senator.

We are in agreement with the plan that it should be administered through employment offices. We are in general agreement regarding the provisions with regard to employees who are engaged in labor disputes. We believe that it is generally fairly well phrased. We do believe, however, that a person who declines to accept the wage provided in the minimum wage laws or in industry in which a minimum wage agreement is in effect, should not be a beneficiary of this fund.

That was an agreement of our committee.

We are in thorough agreement that a man should not be barred from joining a labor union of his own choosing, and we make no distinctions between company unions and the National Federation of Labor.

Senator KING. Or not joining any union?

Mr. CHANDLER. Or not joining any union; yes. We believe in the free right of American citizens to do as they please.

We believe that the States should be given a wide latitude in the passage of unemployment-insurance legislation, and that rigid rules should not be laid down by the Federal Government to govern them in the adoption of such laws.

We feel strongly, gentlemen, and I do not know that it is within the jurisdiction of this committee, but you as Senators are interested in it—we feel strongly that in the event that you levy a 3-percent tax upon the pay roll, and then if I read this somewhat bewildering bill correctly, in another place, about 1941, it will be a 2½-percent tax for another purpose, making a 5- or 6-percent tax on pay rolls—and if that is so, some tariff measure should be adopted to offset the differential, because I come from a State which adjoins Canada across the lake. We are in keen competition with Canada. In our organization some of the factories of our members are moving over across the Canada border. We cannot stand a 5-percent differential. We just passed a 3-percent sales tax in Ohio, and it operates in certain ways which I do not care to take time to explain here, so that we find that our industries cannot stand a 3-percent differential. So in the event that this legislation goes through, something should be done to protect American industry in competition with other nations.

Senator KING. You have not forgotten the fact, have you Mr. Chandler, that until the Smoot-Hawley Tariff Act was passed, you were selling to Canada from \$850,000,000 to \$900,000,000 worth of our products, and many of them manufactured in Ohio, and Canada did not protest against it, notwithstanding the fact that she was only selling to us between \$400,000,000 and \$500,000,000. The differential there was against Canada, was it not, and in our favor?

Mr. CHANDLER. That was trade supremacy, was it not? An actual trade supremacy of a stronger industrial nation. There were not artificial differentials, were there?

Senator KING. There was a tariff.

Mr. CHANDLER. Yes.

Senator KING. I understood from your observation that we should have practically a prohibition against any imports.

Mr. CHANDLER. We should make up the difference.

The CHAIRMAN. Did the Ohio Chamber of Commerce at that time take a position against those tariff increases?

Mr. CHANDLER. I do not remember. What was the date of the Smoot-Hawley tariff?

Senator COUZENS. In 1930.

Mr. CHANDLER. We are in favor of a high tariff.

The CHAIRMAN. You are in accord with that.

Mr. CHANDLER. In strict accord with it.

Senator COSTIGAN. Is not one of the chief reasons for the movement of American factories to Canada, the desire of American manufacturers to utilize the Canadian and other markets outside the tariff

Mr. CHANDLER. I presume that is a motivating factor. And the labor conditions. There are numerous reasons which cause the factories to move, but a 5 percent differential will be a very serious handicap to impose upon Ohio business.

Coming now to the matter of old-age pensions—

The CHAIRMAN (interposing). Pardon me. Did you know that Canada has a 2 percent turnover tax?

Mr. CHANDLER. I am not familiar with that.

Senator COUZENS. It is a 6 percent gross manufacturers' sales tax.

Mr. CHANDLER. I am not familiar with that. I am not familiar with the Canadian system, so I cannot answer your question.

In the matter of old-age pensions, we have an old-age pension law in Ohio. We do not ask for any grants in aid from the Federal Government. We will operate it and see how it works out.

Senator COUZENS. How many have you? That is, on that old-age pension roll; do you know?

Mr. CHANDLER. No; but I know that the appropriation was about \$5,000,000 for the remainder of the year in which it went into effect.

The CHAIRMAN. Is it operating successfully?

Mr. CHANDLER. I think so; yes. Successfully in the sense that people are getting money who did not get it; that seems to be the order of the day.

We do protest, however, against the supplementary part of the old-age pension proposal, in which the United States Government will be projected into the insurance field in a large way. We believe in providing for the future by the ordinary and well-known and easily ascertained avenues of saving. That can be done through innumerable private institutions, and just why the Federal Government should go into the insurance business any more than it should go into numerous other lines of business, I cannot quite see; in other words, we are strongly opposed to the general incursion of the Government into private business.

Regarding the other aspects of social legislation—and I am speaking for myself and my own personal philosophy now—it seems to me that the one form of this type of legislation which is defensible, is mothers' pensions, because it is our philosophy that the family is the unit of society and not the state which these other people dream about. The State is not the unit of society—the family is the unit of society, and the mothers' pension maintains the solidarity and integrity of the family unit. We have had it for years in Ohio, and it has always seemed to me to be a sound philosophy. Just how far the State should go in supervising and aiding in maternity cases and child cases is a matter for this committee to determine.

Senator KING. When you say the State, you mean the Federal Government?

Mr. CHANDLER. The Federal Government. There is a limit to this you know, you have got to leave something for the individuals to do, Mr. Chairman. We are going to create a society in which all a person has to do is to be born and die, and the State is going to do it for him. You will destroy the fiber of any civilization in that way.

I thank you for your courteous attention.

I have a statement here which contains the essence of our viewpoint.

The CHAIRMAN. It will be put in the record.

(The statement referred to is as follows:)

STATEMENT OF THE OHIO CHAMBER OF COMMERCE IN RE THE WAGNER-LEWIS BILL AND THE FEDERAL ECONOMIC SECURITY PROGRAM

The Ohio Chamber of Commerce, representing all classes of business in a State which ranks fourth in the American Union in population and wealth, and third in point of industrial importance, respectfully submits the following observations and conclusions regarding the economic security program of the Federal Government and the Wagner-Lewis bill.

First, Ohio business protests against the coercion of the States by the Federal Government as represented by the assessment on pay rolls and in other ways. This procedure is repugnant to American institutions, destructive of the historical relationships between State and Nation, and calculated in the end to do permanent harm and little immediate good.

Second, Ohio business believes that legislation of this class will permanently weaken the fibre of the American people. Self-reliance has been the key to American success. It has been the initiative, thrift and self-sacrificing foresight of the individual and the family which has brought this country to its proud position. This legislation starts this country on a pathway from which there will be no retreat in the course of the next two generations. When the time comes—as it surely will—to reverse these policies incalculable harm will have been done to the character of the population.

CONTINGENT RECOMMENDATIONS OF THE CHAMBER

While Ohio business opposes this legislation in toto, it respectfully submits the following recommendations, in the event that it is the will of the Congress that some such legislation be passed:

(a) The chamber recommends that the Federal legislation on unemployment insurance should provide that all contributions collected by the States shall be placed in the custody of the United States Treasury and be used exclusively for payment of unemployment compensation.

(b) The chamber recommends that any Federal legislation for unemployment insurance should provide that the payment of unemployment benefits must be made through public employment offices operated by the States in cooperation with and under the supervision of the United States Employment Service, in accordance with the terms of the present Federal Employment Exchange Act.

(c) The chamber recommends that Federal legislation on unemployment insurance should provide that an employee shall be disqualified from receiving benefits for any period during which he has left and is out of employment because of a trade dispute still in active progress where he was employed; that an employee be disqualified from receiving benefits if because of wages and hour schedule he refuses to accept work in any industry in which a code is in effect providing for a minimum wage, or in which industry a minimum wage agreement is in effect or in which minimum wage provisions are established by law.

(d) The chamber recommends that Federal legislation on unemployment insurance should provide that no employee shall be disqualified from receiving benefits because of refusal to join any union or because of holding membership in a labor union of his own choosing.

(e) The chamber recommends that in any Federal legislation on unemployment insurance the contributions received from the employers of a State shall be credited to and maintained as a separate account for said State; and that the unemployment trust fund in custody of the United States Treasury shall be invested and liquidated by the Secretary of the Treasury, who shall disburse to a State, from that State's own account only, the sums needed for current benefit payments under the provisions of said State's law.

(f) The chamber recommends that, in order not to void plans already in operation, Federal legislation on unemployment insurance shall establish by law systems of unemployment insurance which, when complied with by employers, will exempt such employers within such States from the Federal pay-roll tax and shall permit the States to fix the amount of premium payments, whether the contribution is to be from the employer only or employee only, or both, and make rules as to distribution of benefits, waiting periods, and such other administrative provisions as are necessary.

(g) The chamber recommends that in case of the enactment of national unemployment insurance legislation levying a Nation-wide pay-roll tax, that the tariff be adjusted to protect American industries against the differential created by the national pay-roll tax for unemployment insurance.

OLD-AGE PENSIONS

In view of the fact that Ohio already has an old-age-pension law, the Ohio Chamber of Commerce opposes the pending Federal legislation proposing immediate Federal grants in aid to States for additional payment of pensions to persons now past 65.

The chamber registers its disapproval of the entry of the Federal Government into the field hitherto occupied by private insurance by the two following votes:

(a) The Ohio Chamber of Commerce disapproves and opposes the Federal compulsory contributory pension plan.

(b) The Ohio Chamber of Commerce disapproves of the Federal plan for old-age annuities whereby the Federal Government would sell to individuals on a cost basis life annuities similar to those now issued by private life insurance companies.

OTHER SOCIAL LEGISLATION

The board of directors of the Ohio chamber deferred to a future meeting the question of proposed national legislation dealing with maternal and child health, care of crippled children, aid to child-welfare services, and public health.

THE FOREGOING CONCLUSIONS BASED UPON MATURE STUDY

The Ohio Chamber of Commerce has been studying unemployment insurance, old-age pensions, and related subjects for 5 years. In the summer of 1932, through our important "committee on stabilization", we issued a report entitled "Ohio at the Parting of the Ways." We also issued various other statements bearing on this subject.

When, on January 17, the press announced the Federal economic security program, it was stated that ample time would be given to business to study the subject. The Ohio Chamber of Commerce acted with all possible expedition.

The Wagner bill and the Federal report were first reviewed by the research department of the Ohio Chamber of Commerce and a copy of such review was mailed to all members of the chamber's committee on stabilization. Then the chamber's committee on stabilization met on February 1, 1935, analyzed these subjects and made a report to the board of directors. Finally, on February 13, the board of directors met, considered the report, and made certain pronouncements.

To give to this subject the respectful consideration which it deserves, it would not have been possible to move faster. We found, however, that hearings before the House Committee on Ways and Means were closed and the door of the Lower House apparently barred. Fortunately, the Senate Committee on Finance had not completed its hearings and our chamber is given a hearing before your committee today (Feb. 18).

HOW THE OHIO CHAMBER OF COMMERCE MAKES UP ITS MIND

Our chamber does not indulge in snap judgments. Every major conclusion passes through the following states:

First. A factual investigation and report by the research department and staff of the chamber.

Second. Reference to the appropriate committee or committees.

Third. Action on such committee report by the board of directors.

Fourth. A referendum of the membership, when ordered by the board.

The board of directors, which is the policy-making body of the chamber, is a miniature legislature. There are 63 members, of whom 15 represent the geographical district of the State, 8 represent chambers of commerce in the major cities, 1 represents the Ohio Association of Commercial Organization Secretaries, 1 represents the Junior Chamber of Commerce of the State, 3 represent manufacturing, 2 represent agriculture, 2 represent banking, 2 represent education, 2 represent insurance, 2 represent motor transportation, 2 represent natural-resource production, 2 represent the press, 2 represent the professions, 2 represent public utilities, 2 represent rail transportation, 2 represent real estate, 2 represent trade,

2 represent water transportation, and 1 is the immediate past president of the chamber. There are also 8 officers of the chamber who are ex-officio members of the board, to wit: The president, first vice president, treasurer, and five district vice presidents.

We respectfully submit that the conclusions reached in this thorough way, by a body of this character, in a State of the magnitude and traditions of Ohio, are worthy of your serious consideration.

The CHAIRMAN. The next witness is Mr. Henry E. Jackson, of New York.

STATEMENT OF HENRY E. JACKSON, PRESIDENT SOCIAL ENGINEERING INSTITUTE, NEW YORK CITY

Mr. JACKSON. Mr. Chairman and gentlemen: For 5 years I was working in the Federal Government in the Department of the Interior under Franklin K. Lane, as a social engineer, working in the Federal Government in the field of government and community organization. Since then I have been working as a social engineer in connection with large industries, trying to persuade them to adopt voluntarily just such a protection plan as this bill aims to compel them to adopt. For example, 5 years ago I drafted and installed for the Westinghouse Manufacturing Co. in Pittsburgh a plan covering 40,000 employees, a scientific trustee community plan, which has been working successfully for 5 years, and they are so pleased with it that they have extended it to three additional subsidiary companies. They are not only pleased with it but they have discovered that it is not only not a burden from expense but that it is a means of saving them expense.

Senator KING. You are directing your remarks principally to the unemployment insurance, are you, now?

Mr. JACKSON. I am speaking at this moment on the retirement annuities.

Senator KING. Pensions?

Mr. JACKSON. Pensions. I merely say that to indicate that I have drawn some matured conclusions based on a rather large experience with industry, and after some very careful thought.

Senator COSTIGAN. Are there any evidences that your plan for the Westinghouse employees was breaking down the moral fiber of those employees?

Mr. JACKSON. On the contrary, it is stimulating it. It is on a 50-50 basis, the employer paying half, the employee paying half, so that the employees are preserving their self-respect and they are taking part in its administration as well.

The CHAIRMAN. Is that largely on the same plan that the Eastman Kodak people operate?

Mr. JACKSON. Somewhat; excepting that Westinghouse is operating it wholly itself on a trustee basis involving no insurance company and saving itself a very large sum of money on that account.

I did not ask for an opportunity to come here and speak to you, but in speaking to a friend of mine, a Senator, he urged me to do it and he wanted me to come.

The CHAIRMAN. We are glad to hear you.

Mr. JACKSON. Thank you, sir. I hesitated to come because I thought you were already deluged with great numbers of suggestions.

The CHAIRMAN. That is quite true, too. [Laughter.]

Mr. JACKSON. But more particularly I hesitated to come because I did not want to appear as a critic of this bill, because I am not. I mean to say that I agree with its objectives heartily. I may say that I am 100 percent in favor of its objectives, and about 75 percent against the methods proposed in the bill of obtaining those objectives, but I appear as a very friendly critic. I never thought that I earned the right to criticize any proposed measure unless I had something better to offer as a substitute.

The CHAIRMAN. We will be very glad to hear your constructive suggestions.

Mr. JACKSON. Thank you, sir.

Senator KING. And your critical suggestions, too.

Mr. JACKSON. I believe I have a substitute plan to propose that will be much more efficient and much more workable and infinitely less expensive to the Government.

The CHAIRMAN. That is with reference to unemployment insurance?

Mr. JACKSON. That is with reference to the whole social-security program, including all of the major hazards of industry, including unemployment.

It is of course impossible in the short time that you could give me to explain that, and it so happened that I was asked by the editor of a leading magazine in New York to prepare an article making a comprehensive statement on such a constructive social-security problem, which might be a substitute for this measure, and I finished it last week and I took it to him. But since coming here and talking to my friend who indicated to me what a serious problem this is for this committee, I decided to withdraw that manuscript from the magazine and submit it to you in the hope that it may help you do it.

The CHAIRMAN. We will be very glad to insert that in the record.

Mr. JACKSON. Thank you, sir. That states in orderly fashion a constructive program and the figures and facts to sustain it.

I think I may be most helpful if I should take a few minutes to just name very briefly, the chief yardstick principles which the article expounds which I think would be helpful on this in the reconstruction of this measure.

Senator KING. Would you permit an interruption before proceeding?

Mr. JACKSON. Yes, sir.

Senator KING. Does the paper which you were kind enough to furnish us discuss the question or the proposition as to how the Westinghouse and these other organizations which have been set up may be preserved insofar as they are valid and have merit and integrated with any sort of an organization such as you indicate?

Mr. JACKSON. Quite so, sir. Using the Westinghouse experience as an illustration of the cost and schedules and so forth.

Senator KING. Thank you. Then I won't ask you anything further on that.

Mr. JACKSON. I would suggest then some leading facts that might indicate to you something that may be helpful if you would give the paper very careful reading. While this document is in the form of a magazine article which will make it more comfortable reading for you, it nevertheless attempts to be a demonstration like the demonstration of the problem in geometry, that it is possible to enact a social-

security program without any doles, without increasing the public debt or the public taxes.

That is rather audacious, I grant, but that seeks to be a demonstration of that fact. That is to say, it can be made wholly self-supporting.

That indicates further that it would be wise in my judgment if this bill were divided into two bills or if that is not possible, certainly into two distinct parts. It would be better in two bills. First, those provisions which are permanent in their nature and which can be made self-supporting. Those that are self-supporting only to be included in a social "security program", because that is a permanent thing and it would be in keeping with the meaning of social security.

Second, in the second part of the second bill, only those parts which are designed to be temporary in their nature as a relief to emergency need and which calls for expenditure of money.

Those two separate measures are wholly different. They rest on wholly different economic foundations, require wholly different systems of financing and administration.

They do not belong together. It seems to me it is impossible to add them together any more than to add 3 quarts of milk to three-quarters of a mile. It is a contradiction in terms. Therefore, I would urge you to consider the separation of those two sets of measures.

We may disregard now for the moment those measures which are temporary or emergency relief. We all are agreed that we must render assistance to less fortunate fellow citizens while it lasts, but we can very well do that if we realize that it is temporary in its nature, and especially if we can get going at the same time a measure which will prevent the need of its recurrence. It seems to me that no relief measure is economically or socially sound which does not provide in itself a means of eliminating the need for relief.

Third, the articles seeks to show how we can get a much more uniform measure throughout American industries, that is to say we can guarantee a uniform social security program in American industries, and at the same time secure a much larger degree of freedom on the part of the States in their cooperation with us than this bill proposes. I think that is a very vital thing. As it stands now, this measure calls not for 1 law but for 48 laws. But we do not know what this law will be until the 48 States take action, if they all do, which is somewhat uncertain. Therefore, instead of 48 laws, uncertain, we are to have one law which is certain, and as I say I think it is a meaningless courtesy as stated in the bill, this courtesy to the States, because the bill proceeds immediately to take almost every bit of freedom from the States. I think the States ought to have real freedom of action and the States can be utilized to function in a very great way, a necessary way, in a country the size of this, in administering a bill like this, if we grant them the freedom, but our great problem is how to get concerted action in the whole and yet preserve freedom in the parts. I think we can do that much better than the way provided in this bill. The article seeks to do that.

Fourth, I think it is a bad economic principle and unsound as an economic principle, for any measure to state the amount of cost or tax which is to be imposed on the industries for the cost of any

protection program for the simple reason that nobody knows or can know what the cost is. Therefore, I think that ought not to be in any measure. Instead of that, all that is necessary is to state the schedule of required benefits which an industry is asked to yield. That schedule of benefits required to yielded—that is all, and that is sufficient. The cost of it will vary with almost every industry. For example, for one illustration of a scientific annuity plan, the parent company of the Westinghouse cost 1.3 percent of the pay roll, but for a subsidiary, the Westinghouse Lamp Co., the identical same program cost it 0.9 percent. That is a real variation.

Therefore, if we would just require industries to yield a certain schedule of benefits and let them regulate the cost, allowing the industries the freedom to use whatever methods they choose which they think best to secure those results, so long as those methods are sound, of course. An industry could operate it itself on the trustee basis, it could use an insurance company if it wished or it could use a State pooled fund if the State created a pool fund. It would make no difference to us what method it used so long as it produced the required results contemplated in the bill. There is just an illustration of how you can get freedom in the parts and yet concerted action.

Senator KING. Your plan however would contemplate notwithstanding the freedom which is given to industry itself to formulate and execute these plans for social insurance, nevertheless the State would have authority to proceed and create a pool or permit each industry to function for itself.

Mr. JACKSON. Precisely. As supplementary legislation, it would be most valuable in the administration of this Federal law.

Fifth, it seeks to show that an unemployment wage reserve plan required to be set up by industries, ought to be designed and expected to yield a protection only for that degree of unemployment which you may call occasional unemployment or seasonal unemployment, that is to say a certain portion of an employer's employees are laid off for 3 months or 6 months so that he may not overstock his market with goods. Such a degree of unemployment is always an essential factor in efficient management in industry. There always will be that degree of unemployment and always ought to be. It is no problem however if a wage reserve protection plan is set up to care for those men over those periods. They are thereby regarded as a reserve labor force, which is an important thing to him.

If all industries did that, that would take care of 2,338,000 employees, that is to say, the average yearly amount of unemployment existing between 1920 and 1929 inclusive, which is a very typical period, both prosperous years and unprosperous years, was that amount—2,338,000.

You will please note that that would be no burden, it would not be a burden on industry; that is not expensive for any employer that has a production cost, to take care of these main hazards, like old age, disability, and so forth—the four major hazards in American industry—and the cost for those four programs is not burdensome, not burdensome unless we make it so by our legislation. It is not burdensome, as I say, and it is a proper charge against production costs. The depreciation of human machinery is a proper charge against production cost, and can be absorbed as a production cost, and if our industries

are all on the same basis, then there is a fair basis of competition and no problem. Our problem begins after that.

I would say that those four ought to be made wholly self-supporting with no charge to the Government of any kind.

Now, our trouble begins at this point. When our volume of unemployment came to be 4 or 6 or 8 or 10 million, this excess volume of unemployment, it is impossible, of course, not only unfair but impossible, physically impossible, to expect industry to set up any reserve then that would care for that excess volume of unemployment. It could not be done. Because that occurs not in consequence of the operation of the industry as the seasonal unemployment, but in consequence of the breakdown of our whole economic system, and to make that very dramatic, when I installed the plan for the Westinghouse, their pay roll was \$70,000,000. In 1932 the pay roll was \$28,000,000. The difference between \$28,000,000 and \$70,000,000 represents that differential. No industry possibly could be required to set up a reserve then to take care of that amount of unemployment.

Therefore it seems to me we ought to include in this bill a way by which that excess unemployment can be absorbed. It seems to me that that is the real problem before the United States now, and there is only one answer, gentlemen, please. This is not only a terrific problem of the moment, but that is a continuing problem because these displaced workers are going to continue to be displaced by improved machinery. It is the thing we have to face primarily in the solution of this problem. To provide a way by which these men could earn their living—that is our problem.

This paper attempts to say what has taken me 20 years to conclude, namely, that the self-supporting homestead village is the answer to that problem; wholly self-supporting and costs the Government nothing; self-liquidating debts. Two generations ago this Government installed the homesteading policy by furnishing free land to the men who were not absorbed in other industries and who wanted a chance to earn a living. Those freelances are now gone, but the land we have left; we have endless land left, not free but which can be acquired upon such easy terms that it makes the solution of the problem perfectly feasible, and it can be demonstrated to be a self-liquidating proposition. I go into that at some length, because I think that is the heart of that problem.

Just in passing, that is not only in my judgment a means of relieving immediately the unemployment problem and promoting the capital-goods industries, making work all over the country in every way, but aside from that it seems to me it is the most profoundly important project from the standpoint of the national welfare and the development of a self-reliant citizenship that this committee has ever been called on to consider. I think it is the most important thing for this Nation to consider now or at any time. I cannot go into that because it is too big.

The implication of that, the far-reaching helpful consequences on manhood, on childhood, on the future, is enormous.

Just for the moment I will make this little illustration. Owen Young states it this way, which is very picturesque, very concrete, and very good. When he went back to his village, the little village in which he was raised, there used to be a village blacksmith, a village shoemaker, and a village tailor. He said that in hard times those

men usually had their little homestead and a little ground and a cow and their pig. In hard times they were no problem to anybody. There was no dole, they got along very well, but now, he said, "I go back there and those men are not there. Where are they? They have been enticed or driven from those villages and congregated around these industrial centers, living in little shacks on little lots, 20 by 30, and they have no cow, pigs, and no vegetable garden." He said, "Now, the employer did that for the sake of increasing his profit, also to furnish shoes cheaper to society, therefore society getting a financial benefit from that movement, and the employer getting an increased profit from that movement, they have done it at the expense of the village blacksmith." And Mr. Young said: "Therefore we owe the village blacksmith a debt. We ought to undo that injustice."

As a matter of fact, there are of course many types of those homestead villages, but it seems so obvious that a homestead village within 4 or 5 miles of any industrial plant or city anywhere, with a little homestead and 1 or 2 or 3 acres of land, and those employees who are just given the right to acquire that on long-term amortization plan, that little homestead, you see we have restored the condition that Owen Young speaks about, which is a wise and sound course to pursue. That little homestead itself, please to note, is a part of your social security program, a really vital part, not only that, but if John Doe has the privilege of occupying such a homestead, it would be a great easement on the reserve fund set up both for the pension benefit and the unemployment benefit. Neither the employer nor John Doe would need to set up such a large reserve for those two purposes as they otherwise would. So that it means immediate money to all employers all over America, and a great additional service to John Doe.

It just occurs to me that I forgot to mention this in passing. We usually have segregated the idea of a pension plan from the unemployment plan and considered it a different thing. I call your attention, please to note, the organic relationship between a pension plan and the unemployment problem. For example, if a scientific retirement system was operating in all American industries, it would immediately put on the retired list over 1,000,000 employees of 65 years and over. That is the number I calculate are at the present time engaged in American industries. Those men are taken off the regular pay roll, but they are not put in the streets to die, they are put on the pension roll. That makes immediately room for 1,000,000 other employees to take their place. That takes care of a very large lot of the unemployment problem, and it automatically keeps on doing so in the future. That is a very important thing, too.

Senator KING. Are you justified in assuming that the million men to whom you have just referred to over 65 are employed?

Mr. JACKSON. Now employed; yes. I have those facts and figures.

Just one more thing: Incidentally if this bill were rewritten, I mean a substitute bill rewritten, organized on the basis of self-support wholly, that is the social security part of it, it would vastly simplify the bill, which is a very important thing. It is almost impossible for a man, it seems to me, to read this bill without suffering from mental fatigue.

Senator KING. If he reads it twice there is more mental fatigue.

Mr. JACKSON. It reminded me when I first read it, of a remark I made about a similar document. I said, "Some subjects are complex by nature and some achieve complexity, and some have complexity thrust upon them by persons in whose interest it is to inject into such measures an impressive incomprehensibility." It seems to me that one of the distinguishing marks of this bill is its impressive incomprehensibility. I do not know how it occurred; I cannot imagine how it occurred.

Senator COUZENS. We can tell you.

Mr. JACKSON. Thank you sir, I would like to see you afterwards. [Laughter.]

President Wilson used to say that the function of experts seemed to be to make utterly confusing, what everybody knows.

Senator KING. The expert, you know, is the man that knows more about less and less.

Mr. JACKSON. Quite correct; very good. Now, friends, I say that as a serious matter, because in a bill that deals with a public subject hoping to get the cooperation of the States and the cooperation of industries, it ought to be understandable, and it ought to be made understandable. It is a serious handicap when it is not so.

I want to say just one word in closing. I sympathize with you men in the difficulty of your task, but I want to congratulate you on the enormous opportunity you have. It is a very serious opportunity. I believe it is perfectly easy to write a bill that is understandable. I think it is perfectly easy to write a bill that would be wholly self-supporting, without any public taxes or increase.

Senator KING. Doctor, will you essay that task?

Mr. JACKSON. I would be very happy to.

Senator KING. I am sure some of us would be very happy to receive your contribution.

Mr. JACKSON. I could make it clear and understandable English, but I am not prepared to translate it into the typical congressional form. You have men that can do that.

I only have one thing more. You know, 20 years ago England faced just what we are facing here in this room now. England made a profound blunder. It adopted a plan that was basically conspicuously defective. They have spent 20 years in trying to undo those defects. They have had 13 amendments, and it is still very defective. I beg of you gentlemen to consider whether or not if you cannot save America from repeating that experience. It does seem usually that the simple and direct way of doing anything is always the last thing discovered. It is so in mechanical machinery, it is so in social machinery, but I beg of you to see if we cannot reverse that method now and do it in a simple, clear, direct method, so that we will not spend the next 20 years with a large army of administrators trying to find out what the bill means and explaining it to others.

I think that that is all I have to say. I think that that is an important thing, and I believe it is a beautiful opportunity. You can do it. It is a little bold and clear thinking that is needed now.

The CHAIRMAN. It is very refreshing, Doctor, that you have made it so simple for us.

SOCIAL SECURITY WITHOUT DOLES—HOW UNEMPLOYMENT AS A PROBLEM MAY BE ABOLISHED WITHOUT PUBLIC EXPENSE OR PUBLIC DOLES

By Henry E. Jackson, President Social Engineering Institute

GOVERNMENT BY DISCUSSION

The greatness of the Athenian Republic flowered at the western end of the Agora, or Market Place, of Athens. Here was cut out of the solid rock a theater open to the sky, large enough to seat 6,000 citizens. It was the Pnyx, the Place of Assemblers. The platform was a portion of the native rock, so placed that to ascend it a speaker must step forth from the body of citizens as from among his equals. While speaking, he wore a laurel wreath to indicate that temporarily he was the teacher of his fellows. The citizen who succeeded him accepted the laurel wreath in turn. Thus the citizens went to school to each other.

Here was evolved the soul of the Republic. The name, Pnyx, means a fist, and was applied to the Forum, because as a fist is formed by the assembling of the fingers so the Forum enabled the citizens to operate with the impact of concerted action. It was the process used to develop social intelligence, to discover the nature and solution of public problems.

Our American Republic was designed to reproduce the Athenian Republic on a larger scale. The essential formative principle of our democracy is, likewise, government by discussion. Whatever their form of government, all nations are in fact governed by public opinion. During the past 4 years, we have been engaged in a national discussion on the subject of social security, which hitherto has glared by its absence, and which the suffering entailed by the depression has made still more glaring.

We have completed the first stage of our discussion, the stage preparatory to action, and are now beginning the second stage, the stage which is concerned to discover the appropriate action to meet the determined demand for a degree of security against catastrophic hazards.

What our national preliminary discussion has arrived at is the fact that compulsory Federal legislation on a social security program seems to be an unescapable necessity. Pressure through organized and intelligent public opinion will compel action by the Government.

THE ABANDONED MAN

The persistent continuance of the depression has made crystal clear to the average industrial worker the social injustice from which he has suffered as a consequence of our industrial evolution. The fact that this social injustice may not have been consciously inflicted on him, but is inherent in our industrial system, does not make it any the less tragic or inexcusable, if unremedied. The eminent head of one of our large industries has stated the essential nature of this injustice with brevity and clarity. During his boyhood, he said, there existed in his native village, a village blacksmith, a village tailor, a village shoemaker. They had their little homesteads located on plots of ground sufficiently large to be useful. During hard times they had the means of self-support to a large degree from products of their cows, pigs, chickens and gardens, and needed no doles. But now these independent village workmen are conspicuous by their absence. They have been driven or enticed from their village and congregated in factory centers. They live in rows of little monotonous houses built on bits of land little bigger than the houses, and like the houses they too have dwindled down into substitutes for the specialized pieces of machinery not yet invented. During hard times now, they are humiliated by dependence on private or public doles. Our American democratic theory of self-dependence has been destroyed.

Whether this industrial evolution is a movement upward or downward is a debatable question. What concerns us here is that this industrial process has yielded increased profits for employers and cheaper products for consumers, but has been ruinous to the village blacksmith. The financial advantage to industry through increased profits, and to society through cheaper goods has been bought at the village blacksmith's expense.

He has been separated from "Mother Earth" as his source of protection in need, and has been abandoned to the control of adverse forces over which he has no control. Does not our sense of fair play and sportsmanship compel us to conclude that industry and society ought to be able and willing to compensate the village blacksmith for the injury he sustained in the process of benefiting them both? But hitherto he has been the abandoned man in the process.

He refuses to be abandoned any longer. The crystallized public opinion supporting his demand is moving with the irresistible might of the law of moral gravitation. This great and terrible depression has burned this social injustice deep into the souls of millions of citizens. The moral sense of the nation, including the moral sense of a large number of employers, cannot suffer this injustice to go unredressed. It is this moral protest against an obvious and unbearable injustice, which furnishes the dynamic motive back of the demand for a national plan of social security. It seems to me a totally blind misreading of the signs of the times unless we vividly realize that this demand has gone far beyond the stage of compromise or expediency or optional choice. It has arrived at the stage of an outraged moral sense over a primitive injustice. When any demand reaches the simple stage of moral passion, it is not to be denied. Public opinion in its behalf is expressing itself in terms disturbingly similar to the burning words, applied by Emerson to another industrial conflict, which two generations ago involved us in a needless and preventable civil war; words like the following

"God said, I am tired of kings,
I suffer them no more;
Up to my ear the morning brings
The outrage of the poor.
"My angel—his name is Freedom—
Choose him to be your king;
He shall cut pathways east and west
And fend you with his wing.
"But, laying hands on another
To coin his labor and sweat,
He goes in pawn to his victim
For eternal years in debt.
"Pay ransom to the owner
And fill the bag to the brim.
Who is the owner? The slave is owner,
And ever was. Pay him."

IDEALS IN A CASH BOX

The fixed determination of the great mass of average citizens to right a moral wrong, while sufficient, is not the only reason why the adoption of a national social-security program seems a foregone conclusion. Economic pressure on the part of employers is likewise operating powerfully in its behalf. To support millions of citizens in idleness at public expense creates a huge tax burden, which naturally falls most heavily on the employing class of citizens. Employers are beginning to discover that the injustice done to John Doe has destroyed his buying power and has robbed the employer of customers for his products. Employers are also beginning to discover that a distinguishing function of a sound and adequate social-security program is to create and sustain mass buying power at a time when it is most needed. The pocketbook motive is a powerful ally in the movement to undo a social injustice.

These then are the two powerful motives, which will guarantee the adoption of a national social-security program; the people's desire to undo a social injustice, and the employer's desire to undo an economic blunder. It will be just as advantageous to employers as to employees. It would not be complimentary to us to suppose that we will not undo a social injustice, until we see that it pays financially to do so. We need question no man's motive except our own; we need only to observe in passing, the interesting fact that to do justice pays financially. In this case the mass desire for social justice, and the employers' desire for mass markets are riveted together, and both are working for the same desired goal. "If you see deep enough you see musically" said Carlyle. As soon as we examine the problem of social security basically, we perceive that the interests of all classes involved in it are harmonious, that it is advantageous to employer, employee, and the Nation alike.

For these reasons the necessary conclusion seems clearly to be not only that we ought to have, but that we will have, a social-security plan made national by compulsory legislation. By common consent we have entered the second stage in our national discussion of the problem. We no longer debate whether or not we shall have a plan. It is generally agreed that we shall. The question we are now beginning to consider is what kind of a plan we ought to have. It is, therefore, relevant to submit for public consideration a definite plan of social security.

Certain plans on one or another industrial hazard are already before the public, and many more will no doubt be presented both in and out of Congress. This is all to the good. The national policy involved in this proposal is so new and far-reaching in its effect, it has such large possibilities for stabilizing American industry, and it is so easy to make critical blunders in drafting it that no pains should be spared in discovering a sound and adequate plan. Let us examine suggestions from all quarters, and out of a thoughtful discussion the best plan will finally emerge and, by common consent, can be adopted. Congress ought to do nothing in a hurry, because the issue involved is one of the most important ever presented to the Nation for a decision. It is my conviction that it is entirely possible to draft a plan that is so structurally sound and adequate that it will not have to be changed after its adoption. It will, of course, need to be modified and adjusted progressively in its detail provisions as experience may require, but not changed in its essential structure. If we are honest with the facts and with ourselves, we have sufficient social intelligence to determine beforehand what goal we desire to reach and the best road for reaching it.

As yet no scientific comprehensive plan, covering the chief minimum number of hazards to meet the needs of social security, has been presented for our consideration. Several plans have been proposed in Congress. Many more will doubtless follow. One State has adopted a plan. Some of them seem to me to be glaringly defective, some of them have real merit, no one of them is without some merit. But the defects of long-term plans involve consequences of so much potential danger that no pains should be spared to discover a sound plan before, and not after, it is adopted.

The distinguished plan now before Congress is the plan prepared by President Roosevelt's committee of experts and embodied in "The Economic Security Act", introduced in Congress by Senator Wagner. The mere fact that such a plan was devised and recommended to Congress in itself marks a conspicuous and significant stage in our progress toward social justice and economic wisdom. It opens a new chapter in the social history of the United States, a chapter that in all probability never will be closed. The President's courage in opening it has placed the Nation permanently in his debt.

The objectives of the plan are so altogether desirable, and the President's devotion to them is so sincere, that one hesitates to offer any criticism at all of the method proposed for securing these objectives. But the President's sincere devotion to these objectives will insure his eager acceptance of any different methods which may more effectively achieve them.

The origin of the administration's plan is similar to that of the social-insurance plan of England. The English plan was the joint composite product of social workers, experts, politicians, and business men. In consequence, it is only natural that its marked characteristics should be that it is complex; that it is formulated on poorhouse standards; that it combines relief doles with self-supporting annuities; that it is actuarially unsound; that it commits the Government to uncertain and increasing future expense; that it is not self-supporting; that it requires an army of office holders to administer; and that it makes no attempt to remove the cause of unemployment but only to relieve the suffering produced by it. Our American plan has been handicapped with one additional factor of wasteful inefficiency, which the English plan did not have to face, that is, the assumed necessity that the States be co-makers of the plan, so that we cannot know what our plan is until after the 48 States have adopted their own measures.

All of these essential defects could be eliminated before and not after the plan starts, but it is quite improbable that they will be, because of the composite forces sponsoring the plan. The simple effective way of doing anything or solving any problem is almost invariably the last thing discovered and is the result of laborious effort. This has been true in the development of mechanical machinery and also of social machinery. In the slow process of emerging by painful experience out of the complexities and inefficiencies of the proposed plan into simple direct effective methods, nothing is more helpful than to keep before us the type of a simple efficient plan as a goal, toward which we may progressively advance as a desired goal. The most helpful criticism one can make of other plans is to offer a yardstick of basic principles to judge them by, and exhibit these principles in a concrete plan of his own, which he believes can efficiently achieve the conquest of insecurity.

Such a plan I am about to present. It is the product of long experience and careful study. It sounds audacious to say that I do not think it is a pretty good plan, but the best plan there is. If I did not believe it to be the best, how could I offer it at all? But it is offered in the hope that it may be of some service in help-

ing us to secure a plan, which is even approximately good. This is the most that we can expect, because Congress naturally has to operate on the basis of the lowest common denominator.

All men naturally desire a degree of economic independence. A degree of economic independence after a lifetime of work is the natural birthright of every citizen. All men naturally desire and deserve a degree of social security against catastrophic hazards, against which they individually have no adequate defense. If you ask any average employee what fears spoil his happiness most and minimize his efficiency as a workman, he invariably answers: The fear that I will lose my job; that after working all my life, I will be dependent in my old age; that my death may leave my family in want; that my disability may rob my wife and children of their breadwinner. These are the fears most on his mind. My conclusion is that the four chief risks, which the evolution of modern industry has caused to be progressively more hazardous, are death, disability, dependence in old age, and involuntary unemployment. These are the essential risks to be covered in a social-security program, because the greatest of these hazards is unemployment, and the other three are so organically related to it, as we shall see, that there can be no adequate and wise security against unemployment unless they are included in the program.

YARDSTICK PRINCIPLES

For the sake of clarity, I first state a few facts, which ought to serve as formative principles to guide the construction of any plan which may be adopted if it is to avoid basic defects and dangerous consequences.

1. Social insurance against industrial hazards, and relief for those in want are radically different ideas and cannot be included in the same program without serious injury to both.

2. A public dole to those in need is a substitute for the poorhouse, but a benefit paid under a social-insurance plan is an earned reward for faithful service. The emergency requiring doles can be safely treated as temporary, because we can remove its cause and terminate it.

3. The risks involved in the hazards of death, disability, and dependence in old age can be ascertained and calculated and their expense budgeted, but the risks in the unemployment hazard are not ascertainable, and protection against them can be secured not by using the insurance principle but the banking principle.

4. It is a financial fallacy for a legislative measure to impose on employers any definite cost of a social-insurance program, but should specify only the schedule of benefits to be provided, because the cost of the same program will vary greatly with the nature of the industry and the methods of operating the program.

5. It is not humanly possible for industries to provide a reserve fund sufficient to cover the large volume of excess unemployment which exists not in consequence of their natural operations but in consequence of the breakdown of our whole industrial system. No social-insurance plan, therefore, is feasible unless it provides a way to absorb such excess of unemployment.

6. The cost of a scientific social-insurance plan is a proper charge against production costs and may not be an added expense to industry, but on the contrary a means of saving expense, without taking into account that it is an effective means for creating and sustaining mass buying power for the products of industry at a time when it is most needed.

7. It is possible that a national social-insurance plan can be made to be entirely self-supporting and eliminate the use of doles, and not add to the public debt or increase the tax rate.

It is on the above basic principles that the plan here proposed has been constructed. Any program to be effective and economical ought to cover three large classes, which suffer from the hazard of unemployment; worn-out workers, whose unemployment is due to old age; seasonal workers, whose unemployment is due to the natural fluctuations of industrial process; and displaced workers, whose unemployment is due to industry's inability to absorb them. In the first and third classes the unemployment is permanent, and in the second class it is temporary. As we proceed to exhibit a definite social-security plan, it will become increasingly clear that these three large classes, while suffering from the same hazard of unemployment, face distinctly different types of unemployment, which require different types of protection. If a social-security program properly protects all three classes, unemployment as a problem can be abolished permanently, and we cannot morally or financially afford to make anything less than this to be our goal, especially when we discover that this goal can be achieved

WORN-OUT WORKERS

In constructing a remedy for the problem of unemployment, the place to begin is at the beginning. It will doubtless be surprising to many, if I maintain, as I do, that in the attack on unemployment the logical and easy beginning is an old-age retirement plan. The organic and causal relation of a pension plan to the abolition of unemployment is as yet realized by almost none, but the facts are so obvious that they only need to be stated to be accepted. Is it not clear that if older employees past the normal retirement age were honorably separated from the service with an earned annuity, positions for other and younger employees would be available and unemployment decreased to that extent? This is what industries as a whole do not do, because they do not have scientific retirement plans in operation. When an industry's retirement plan is on a haphazard charity basis instead of a scientific reserve basis, as almost all of them are, the invariable consequence is that they retain worn-out workers in the service far beyond the period of their usefulness, because it is a painful process to pay the retirement benefit; because employers are too kind hearted to turn them out on the street like old horses to die; and because if they did it would cause a revolution among their employees, which would be more expensive than retaining worn-out workers on their pay roll.

Is the number of worn-out industrial workers, who ought to be retired to make room for other workers, sufficiently large to make their retirement a real factor in decreasing unemployment? Contrary to the general impression, it is. From data supplied by the United States Census Bureau, and typical industries, I have made a conservative estimate which shows that in American industries at present there are 1,015,388 employees who are 65 years old and over. This byproduct and necessary consequence of a scientific annuity plan renders a conspicuous service to abolition of unemployment. During depressions of ordinary severity, the decrease in unemployment to this extent would constitute an impressive percentage. It should be noted that the number of unemployed would not only be decreased to this extent by the adoption of sound annuity plans, but would be kept automatically decreased to this extent.

Do not these facts compel the conclusion that the first natural item in a social-security program is a scientific annuity plan? It eliminates a large bloc of the unemployment problem to begin with and does it most easily. The thin edge of the wedge is its efficient end. A pension plan would meet less resistance than any other item on the program, because employers everywhere realize that it is not only a fair, but a necessary equipment of industry, wholly apart from its relation to the unemployment problem. This is indicated by the fact that there are now about 400 volunteer plans operating in the United States. It is true that elements of merit in these plans glare by their absence. Almost without exception, these home-made plans are basically defective, unsound financially and inefficient in operation, satisfactory neither to employers nor to employees. They are not cooperative and therefore they yield very inadequate retirement income; they are not secured by a reserve, and therefore are not dependable; their benefits are distributed as gratuities or charity doles, and therefore are morally damaging to the benefactor and beneficiary alike; their cost is annually mounting to an unknowable extent; they provide no way by which to charge off as an operating expense the pension liability arising out of each year; they have certain conditions attached which nullify the good effect they might otherwise have on employees, and therefore yield a very inadequate return on the money expended.

The economic justification for a sound annuity plan can be stated in a sentence. It enables an employer to eliminate superannuation from his plant at a time when the good of the service requires it without doing his employees an injustice. A few employers have discovered that such a plan may not be an added expense at all, but rather a means of saving expense. The Federal Government, therefore, without any misgiving can require the general adoption of sound annuity plans, because employers who have not already discovered that they are financially advantageous to them are certain to make this discovery from experience.

What is a sound type of plan with a fair minimum schedule of benefits, which the Government could properly require industries to adopt? To be considered sound and effective for its purpose, a plan, in my judgment, should be contractual cooperative and secured by a reserve fund actuarially calculated to be sufficient. The employer as his share should provide a retirement income equal on the average to 1 percent of the employee's wage for each year during his whole period of service. To simplify the matter, let us call these amounts, provided each year by the employer, annuity units. They are deferred annuities. An annuity unit is one which yields an income of \$1 per month, beginning at

the normal retirement age of 65, and lasting for life. The employer provides each year 1 annuity unit to workers receiving \$1,200 a year; 2 annuity units to workers who get \$2,400, and so on to the \$7,200 worker who receives 6 units.

But a few lower-salary classes receive more than the percentage schedule of benefits and a few higher-salary classes receive less. This result is achieved by assuming, for purposes of the plan, that no employee receives less than \$1,200 a year or more than \$7,200. Thus one annuity unit per year is the least any worker can receive and six the most.

In order to use educational methods instead of compulsion, an employer can stipulate that employees, who buy each year for themselves as many units as the employer provides will receive as a bonus one-quarter unit for each unit so bought, on the theory that it is better to reward men if they do, than to punish them if they don't.

Thus if employees cooperate with the employer, such a plan is designed to yield to average employees a retirement income equal approximately to 50 percent of an employee's average salary for a normal period of service. For example, John Doe enters the plan at age 35; his wage is \$100 per month and for the sake of the illustration, we assume his wage remains the same for his 30 years of service until he is age 65. Each year his employer buys 1 annuity unit, and if he buys 1 for himself, he receives $7\frac{1}{2}$ units extra as a bonus. Thus at age 65 he will have $67\frac{1}{2}$ units, which will yield him a life income of \$67.50 per month, or $67\frac{1}{2}$ percent of his average wage. By thus organizing the plan on a cooperative 50-50 basis, we halve the expense to the employer, and double the return to the employee for the money he invests.

In order to safeguard the employer against the temptation to discharge an employee before he reaches retirement age to avoid paying him his annuity, the plan should stipulate that any employee, who has served 25 or more years, has a vested right in the annuity units to his credit, if before he completes his full term he is separated from the service for any cause and that his annuity units will be matured and paid just the same as if he had remained until retirement age.

Employees who leave with less than 25 years of service receive the full amount of their own deposits plus interest compounded at 4 percent. Thus the plan is a good savings plan for employees, who leave after a few years of service, and a guaranteed life-income plan for those who complete a 25-year term, a full term of service.

Such a plan is efficient and inexpensive. Its character value and money value have both been demonstrated in actual practice. The cost will be considered presently. We are here concerned to indicate the minimum schedule of benefits, which a social security program ought to provide.

It should be noted that the life annuity paid under a plan so organized is in no sense a dole or charity. John Doe with his own money buys his half of the income. The other half of it, furnished by the employer, is justified on strictly business grounds. It enables him to prevent the waste of hidden pensions, to eliminate inefficiency from his plant honorably, and to decrease his pay roll at no extra cost, when emergencies make it necessary.

In the classification of worn-out workers, we should include workers who are temporarily worn out through disability and workers who are permanently worn out through death. This means that an annuity plan should have attached to it a death benefit and a disability benefit, that is group life insurance and disability insurance, both of which may properly be classified under the caption of the unemployment hazard. When a worker is disqualified for work on account of his disability, he is unemployed for such a period. If a family loses its breadwinner by death, it suffers hardship because of his permanent unemployment. All workers who suffer from the hazards of death, disability, and old age, are accurately described as worn-out workers and should be protected in the way here indicated, as the natural obligation of the industry in whose service they have been worn out.

An employee is exposed to the hazard of disability any time, and therefore, the disability benefit should be made available during his entire period of service and cease only when his retirement benefit begins. This program is an advantageous to employers as to employees. The relationship of life insurance to annuities is reciprocal. They are exact opposites and complementary in their financial operation. What the reserve fund loses on one, it gains on the other. If John Doe dies, the fund pays the death benefit, but not the retirement benefit; if he lives, it pays the retirement benefit, but not the death benefit.

It is suggested that a fair and feasible minimum death benefit would be an amount equal on the average to about 1 year's wage, and a wise and workable

disability benefit would be an amount equal on the average to one-fourth of the monthly wage and payable while disability lasts, but not after the pension benefit begins.

The organic and logical relation of the death and disability provisions to a scientific annuity plan may be described with brevity and clarity in terms of John Doe's experience. John Doe's goal is to acquire a degree of economic independence after a lifetime of work. His employer's goal is to assist John Doe to acquire such independence so that he may be retired from service when the efficiency of the industry requires it.

But on John Doe's way to this goal he may meet two hazards which will defeat his purpose; one is death, the other is disability. In order, therefore, to insure his purpose, protection against these two hazards should be attached to the annuity plan as temporary provisions, to be discarded when John Doe arrives at retirement age and his annuity benefits begin.

Of these three items in a scientific pension plan, the annuities come first in importance, both for the employer and employee. Sickness is preventable; death may or may not be an advantage, but want and humiliation in old age, "the bitterness of eating other peoples' bread and climbing other peoples' stairs at night" is certain tragedy to John Doe. To his employer it means both moral embarrassment and economic waste. Thus the evil consequences of unemployment, due to death, disability, and old age may be removed or mitigated by a comprehensive annuity plan as indicated.

SEASONAL WORKERS

The next type of employment which can be abolished as a problem by systematic and inexpensive protection is unemployment due to the natural and unavoidable fluctuations of business. It is occasional or seasonal unemployment, lasting for irregular brief periods. Such occasional unemployment always has existed and always ought to exist for efficient operation of industry, so that production may be adjusted to consumption. We, therefore, cannot abolish unemployment altogether, but we can altogether abolish it as a problem by furnishing protection against this hazard.

Let us here note the fact, which will be considered later, that it is only occasional unemployment that can be covered by systematic protection. The only suitable and dependable type of protection for this type of hazard is a wage reserve plan, which will enable seasonal workers to subsist for periods of 1 year or less and be sustained as a reserve labor force undeteriorated and ready for use when the slack period is ended.

A fair and wise wage benefit during occasional periods of unemployment would be an amount equal to one-half of the average current wage during the previous 5 years and payable for 1 year if the required reserve has been completed, or for shorter periods while the reserve is being accumulated.

The protection on the three hazards of death, disability, and old age can be operated on the insurance principle of pooling the risk. It can be calculated and the expense involved can be ascertained and budgeted. But to the unemployment hazard it is not possible to apply the insurance principle. It is not an insurable risk. It involves elements which it is not humanly possible to know or calculate. The term "Unemployment insurance" therefore, is false and contradictory. Any plan attempting to apply it must be unsound and is unsafe unless the taxing power of the State guarantees it. Even then the expense involved can never be known.

But what cannot be done on the insurance principle can very easily be done on the banking principle of a limited liability. On this basis the idea is to build up, during 5 or 6 prosperous years, a reserve fund definitely calculated to yield specified benefits for a specified time.

While the actuarial principle can never safely be applied to the unemployment hazard, the insurance principle of pooling the risk can be applied to this fluctuating risk, if industries are willing to obligate themselves to meet the possible deficits. All the industries of a State might contribute a flat percentage of pay roll to a State fund, and if one industry had 100 unemployed for 3 months and another industry had 500 unemployed, the specified wage benefit would be paid out of the common fund to both groups of unemployed alike. This, of course, could be done, but I believe it is an unjust and unwise procedure. The employer who, by his ingenuity and effort, regularizes his employment will be furnishing funds to pay the employees of an employer who makes no such effort. Thus the application of the insurance principle to this haphazard risk defeats the primary purpose of the plan, which is to decrease unemployment to a manageable volume and not merely to relieve it. If any employer can draw from a common fund more than

he contributes to it, we remove from him the chief incentive, the pocketbook motive, to stimulate him to prevent unemployment.

It seems obvious that this risk is not the kind of risk that can be safely pooled. Unemployment is a preventable calamity. It is a man-made hazard, and hence is essentially different from the hazards of death and old age, which are not man made, but operate by natural law in an orderly way, and can be estimated. The only feasible method is a wage-reserve fund, which yields stipulated benefits for a specified time. Thus only can the maximum expense be known and budgeted.

These then are the four major permanent hazards, which ought to be covered by a permanent protection program in all industries, death, disability, dependence in old age, and occasional unemployment. Whatever other hazards we may or may not at any time include in a social-security program, these four ought at least to be covered first, because they would eliminate approximately definite sections of unemployment due to known causes, before we attack the new and difficult types of unemployment, and because the programs covering these four hazards can be made self-supporting without any expense to the Government.

WHO PAYS THE COST

The cost of these four programs is definitely a production expense and a proper charge against the depreciation of human machinery. The necessary conclusion is that the cost should be paid by industry as a regular operating expense.

The expense of this protection should be paid by industry rather than by taxpayers as a charity to employers, not only because it is just, but because this program is a financial advantage to employers. The economic justification of a scientific annuity plan is that it enables an employer to eliminate superannuation from his plant honorably, when efficiency requires it, and thus is a means of decreasing expense. The economic justification of a reserve fund to maintain a reserve labor force is that it saves the expense and time of collecting and training a new labor force, an important factor in certain types of industry. The economic justification of the whole program is that it is the effective way of creating and maintaining mass buying power, thus preventing depressions or mitigating their severity. Prevention is better than cure and cheaper. A few progressive employers have discovered that such a protection program pays financially, and all intelligent employers will eventually make the same discovery.

It seems clear enough that this is an operating expense of industry, but should it be paid by the employer alone or shared with the employee? Hitherto many employers have preferred to pay the whole cost themselves, because if employees participated in the cost, they would have the right to participate in the management of the plan. "Who pays the piper, calls the tune." Some employers are willing to pay the piper, because they want to call the tune.

It seems to me a decidedly wiser policy for the cost to be shared jointly on a 50-50 basis as nearly as may be, so that it may be on a self-supporting and self-respecting basis. Thus the cost to the employee is halved and the return he gets is doubled. Moreover if the plan is operated by the industry itself on the trustee basis under the joint management of employer and employee, the cost to both is the lowest that is possible.

It is maintained by some that the employer ought to pay the whole cost, because it is passed on as an increase in the cost of goods to consumers. Employees, being consumers, would thus bear their share of it. But if they also paid for their share of the program, they would be paying twice. This sounds like a plausible argument. But its merit is apparent, not real. It rests on a fallacy.

It may or may not be true that the employer's share of the cost will be passed on to consumers. It may come from a decrease in dividends to stockholders, or in surplus, or in higher salaries. But assume that it is added to the cost of goods. All operating expenses, wages, salaries, dividends, have to come from the proceeds of the business. They can come from no where else. Does an employee object to his regular wages, because a certain portion of them is paid by him through an increase in the cost of goods? Certainly not. It is the necessary consequence of the wage system now in operation. If an employer increased his wages 10 percent, would the employee refuse to accept the increase, because he may pay a fraction of it through the increased cost of that portion of his own factory's goods which he happens to buy, if any?

As soon as the cost of the employer's part of the program is classified as an increase in wages, the subject is at once clarified. It is basically important that it be so classified. The employer's part of the program should not be regarded as a charity to be given or withheld at his pleasure, but be treated as a contractual addition to wages, so that it may become the standard practice in American indus-

try that an employee's compensation shall be a wage for current service, plus the employer's share of the cost of a social security program as a deferred wage as an earned reward for fidelity and length of service.

But do all employees receive a sufficient wage to enable them to pay the expense of their share of the social security program? They do not. That is why the contributory plan should be adopted. It will exhibit this to be a fact and compel its correction. If John Doe's wage is not large enough to enable him to carry his side of the program, it is not large enough. It is merely a living wage. It will have to be a cultural wage with margin enough to permit him to do something for himself and conserve his self-respect. One of the chief byproducts of a contributory plan naturally ought to be the adoption of a cultural wage scale as a standard American practice. When a social security plan is jointly supported and managed by employer and employee, it is more economically and efficiently operated, and if we consider in addition the two large byproducts here named as necessary consequences of this cooperation, it seems clearly to be the wise policy. It is mutually advantageous to employer and employee, which is at it should be among partners in a joint enterprise.

WHAT DOES IT COST

If a social-security program on unemployment covering the four chief hazards organically related to it, as here indicated, is organized on the cooperative basis the cost of the plan to employers will not be at all burdensome—a fact highly significant to consider in any proposed legislation inaugurating the plan because we must consider not only what is ideally desirable but what is humanly possible.

As has been suggested in our discussion, and for the purpose of exhibiting the probable cost, let us assume that a fair schedule of benefits which such a plan ought to adopt as the goal to be achieved by the joint contributions of employer and employee is as follows:

1. A retirement annuity equal on the average to half an employee's average wage during his period of service.

2. A death benefit on the average equal to one year's wage, the same he received at the time of his death.

3. A disability benefit equal on the average to one-fourth his monthly wage and payable while his disability lasts, but not after his pension benefit begins.

4. An unemployment compensation equal to one-half of the average current wage during the previous 5 years and payable for 1 year, if the required reserve has been completed.

[NOTE.—For the purpose of determining benefits payable under the above schedules, no employee is classified as receiving a salary in excess of \$7,200 per year.]

What would the employer's part of such a protection plan cost? It is, of course, not possible to say until an actuarial calculation is made in each case. The cost will vary considerably among different types of industry. But a clear idea of the approximate cost may be indicated by quoting the cost, based on actual experience and estimates, in a large typical company, which operated its own plan on the trustee basis. In this company the full reserve to cover its matured pension liability, that is, for those on the pension roll and those put on the pension roll when the plan started, was 1 percent of pay roll. This, of course, was paid only once. The annual cost thereafter for all active employees after 1 year of service, and covering both past and current service, was 1.22 percent of pay roll. The annual cost of the death protection on the same basis is 0.25 percent of pay roll, and the cost of disability protection 0.37 percent of pay roll. This company had accumulated a large number of old employees. In two other companies where the same plan has been operated, the cost is less. But even if the cost should be 2 percent it would be very low.

As to the cost of the wage-reserve program, that is only a contingent expense, which is quite different. The reserve required to yield the above benefit is 2 percent of pay roll for a period of 5 years. This is not the cost. Inasmuch as all employees would almost never be on the unemployed list at any one time, the cost will always be considerably less than 2 percent. The cost is only that part of the reserve fund which needs to be distributed in benefits. The cost, therefore, will vary from nothing up to 2 percent. One company has so regularized its employment that its wage-reserve plan never cost it anything.

If an employer allocates 5 percent of pay roll as the maximum possible cost of his part of the social-security program on all four of the major hazards here named, knowing that the actual cost will tend to be less, and if he considers the wastes which such a program eliminates and its other definite helpful by-products, he will conclude that its net cost is a negligible operating expense. He will

discover that it is a means of saving expense and the wisest investment he ever made.

It is to be noted that the costs here quoted apply only to the employer for his share of the program. As to the employee, his cost will be exactly similar amounts for his half of the program on all four plans except retirement annuities. With annuities it is different. The average cost to employers is 2 percent of pay roll or less. The average cost to a whole group of typical employees of various ages is 4 percent of wages. An employee can decrease the cost by paying annuities at an earlier age. Although under the plan proposed the employer agrees to buy on John Doe's account exactly the same number of annuity units which John Doe buys for himself, yet his cost is less for a reason that will be obvious. The employer furnishes annuity units for those employees only who remain in his service until retirement age, and therefore gets credit on account of those employees who leave the service before retirement, but John Doe, when he leaves the service before retirement, receives all he has invested in annuities together with the accumulated interest.

HOW IS IT OPERATED?

These, then, are the four major permanent industrial hazards: Death, disability, dependence in old age, and involuntary idleness. Whatever other types of protection an industry may have, protection against these four hazards ought to constitute the foundation of a social-security plan in all organized industries.

We have observed how these four hazards are organically related to the paramount problem of unemployment; that the cost of protection against them need not be at all burdensome; that the cost is a natural production expense and a proper charge against the depreciation of human machinery. As a necessary consequence the plan should be entirely self-supporting, and its operation a standard practice in industry everywhere.

What is the most efficient and economical way in which such a program can be operated? What I think is the one correct answer to this question is indicated by the proverb, "The proper nurse for Moses is Moses' mother." The need for a protection plan was created as a consequence of the industrial process. It is industry's own child. Industry created the need and understands it, and is, therefore, best equipped to administer the remedy. The items in this program can be efficiently operated by no one except by the industry itself; nor can it be operated properly by an employer alone, but only by the employer in cooperation with his employees. For example: no outside agency has the means of ascertaining whether John Doe is pretending to be sick 3 weeks, when he is in fact sick only 1 week. But if employees play a real part in operating the plan, and if it is made to Bill Brown's financial interest that John Doe does not make unjust drafts on reserve funds, then we have the effective means to prevent malingering and needless waste. This principle of reciprocity applies to the whole program, and operates not only to prevent financial loss but to secure other economic and moral results of large financial importance.

While industries themselves are best equipped to operate their protection programs effectively, yet they have not volunteered to do so, not in sufficient numbers to protect the great mass of employees against these hazards, nor to protect society against the consequences of these hazards. The function of a social security plan is to protect society as well as the individual workman.

Inasmuch as industries in general have been unwilling or unable to adopt such plans voluntarily, it has become clear that the desired goal can be achieved only by compulsory legislation. It would not be fair to say of all employers that they will adopt this wise and just policy only when they are compelled by law to do so. Leaders in certain industries have made sincere efforts to persuade member industries in their group to adopt such plans voluntarily, only to discover that a large number of "rugged individuals" refused to cooperate even for their own advantage. The advantage which they could not obtain by voluntary action can be obtained by legislation. If all alike must adopt the plan, each one is protected against an unfair basis of competition on production costs.

The one and only purpose for which we need compulsory legislation is to secure a uniform and standard practice throughout American industries. Industries can best operate their own plans. All they need is to be compelled to do so. A uniform practice can be secured if compulsory legislation will contain two essential requirements; namely, a stipulated minimum schedule of benefits, which industries are required to furnish, and a reserve fund which is actuarially calculated to be sufficient to produce them. These are the only two essential items needed. Each

industry should be permitted the freedom to operate any type of plan it thought best suited to its needs. So long as an industry furnished the specified benefits and maintained the required reserve fund on a sound basis, what difference could it make to the Government what type of plan an industry used?

The probable cost to average industries for the suggested schedule of benefits is here stated merely as an illustration to ease the mind of employers. The assumed cost of this program ought never to be included as a provision in any legislative act, for the simple reason that the cost will vary greatly in various industries, and it is impossible to know beforehand what the cost will be in any case. Instead of any flat blanket cost imposed on all industries, what a legislative act should contain is a minimum schedule of benefits, which all industries are required to provide, letting each industry furnish these benefits by any sound reserve method it desired to use. It might operate the whole plan itself on the trustee basis, or engage an insurance company to underwrite the whole plan, except the wage-reserve program which no insurance company handles, or operate part of the plan on the trustee basis and have part underwritten by an insurance company. So long as any industry's plan yields the specified benefits, and is secured by an actuarially sound reserve, the employer and his employees are justly entitled to the advantage of any economies in cost they can secure by eliminating needless expense. The possible advantage of such saving is very considerable.

On account of the present depression, it would be conspicuously wise legislation to require all industries to adopt the above social-security plan now and, on account of the present depression, it would be an equally wise provision to require industries to set up the necessary reserves not now but progressively as and when business conditions improve. A good formula to determine when reserves shall be set up, and in what amount, would be that proportionate deposits in the reserve of the social-security plan shall be made whenever dividends are paid to stockholders.

ONE LAW FOR ONE NATION

If a social-security system is to be national in scope, effective in operation, and uniform in essentials, obviously it requires Federal legislation, and Federal legislation which does not make the operation of the law contingent on the action of the States. But this is what the Economic Security Act, now before Congress, does, and thus it provides the means for the defeat of its own purpose.

Some States may and some may not cooperate, so that there is no assurance that the law will be national in scope. The States will necessarily be slow in acting, so that the law will be delayed in becoming effective. If and when they do act, it is practically certain that there will be 48 various laws. A law with 48 variations will be complex, conflicting, needlessly burdensome and expensive to the many industries, which operate in several States. If, to secure uniformity in essentials, the Federal Government stipulates what the State laws must contain, then its apparent courtesy becomes a meaningless formality.

It is wiser to face facts as they are. What we need is 1 law, not 48. A nation is the will to be one people. We are a nation. Our Nation has become an economic unit. A social-security act ought to fit the economic facts of today, not the political facts of a century ago.

It is quite possible to have 1 law for 1 nation, and still preserve our democratic traditions. The essential aim of our democratic theory is to secure concerted action in the whole and yet preserve freedom of initiative in the parts. The practice of this theory is basically important.

This American principle will be operated if the Federal legislation will require all industries to adopt social-security plans with a stipulated schedule of benefits and a sound reserve fund to secure them, as indicated above, but permitting industries to operate any type of plan they think best suited to produce the specified results. This is to say, that in establishing a national social-security plan, the Federal Government would apply to all industries in the Nation the same practice now applied by some States in their workmen's compensation laws. Industries in these States are permitted to operate their own plans, use the State insurance fund, or use a private insurance company. This combines uniformity in results to be achieved with variety in methods of achieving them.

It should be noted that this method preserves freedom of action not only to individual industries, but also to the States as well. There is still left sufficient scope for cooperative action by the States in the administration of the act. The unique circumstance that our States existed as political entities before the

Nation was organized need not be an obstacle to prevent effective concerted action in the Nation, but can be utilized to facilitate concerted action. If the States had not already existed, it would have been necessary, in a Nation as large as ours, to subdivide it in units somewhat like the States for the sake of administrative efficiency.

Thus the States could perform a large service in helping to administer a unified national-security act. They could verify the facts and report when and if the industries located in their territory adopted plans of the required standard. A State could set up the machinery of a State insurance fund for the use of its own industries. It could provide a way, by which its industries could pool their risk or each carry its own risk. This question could be decided by each State for itself without in any way affecting the plan's designed purpose. Thus the democratic principle of decentralization would be applied to the handling of the reserve funds as to other detail features of the plan. Aside from political reason, it would be far more efficient for the fund to be handled locally by industries or by groups of industries or by States than to concentrate the fund in an enormous volume in Washington. Aside from fairness to the economic enterprises of local States, funds can be handled more productively when in a normal-sized volume than in an abnormally large volume. When any enterprise gets too big, the law of diminishing returns is sure to operate.

A unified national plan, with a large measure of freedom for industries and ample scope for the States to function cooperatively, could be directly and effectively constitutional. Congress has the undisputed right to impose an excise tax or a super tax on the incomes of corporations. It could impose such a tax, equal let us say to 5 percent of the pay roll. The amount is a matter of small importance because the tax is not designed to yield any revenue, but solely for compulsory purposes. Let the act stipulate that the tax will be automatically canceled in the case of those employees who, before the expiration of a specified time, shall have adopted a social-security plan, covering the four industrial hazards here named, and which is designed to yield the standard minimum schedule of benefits stated in the act, and to establish a reserve fund actuarially sound.

It will be observed that a law which thus distributes the work of operating the plan among the industries themselves, and among the States will not only be more effective in securing the desired results, but will obviously effect enormous economies in administration.

Under such a plan, the only machinery needed in Washington is a comparatively small bureau in the Treasury Department, whose only function would be to ascertain from industries or from a State on behalf of its industries, whether standard plans had been adopted by industries, and use this information for the purpose of remitting their contingent tax, or not remitting it.

IT PAYS ITS OWN WAY

If we want to get anywhere, it is wise to start from where we are. In starting to construct a social-security program is it not clear that we ought first of all to include the four major hazards here named? Protection plans on these hazards are already in operation, however defective and inadequate they may be. Plans on 3 out of the 4 hazards have voluntarily been put into operation to a wide extent. On the fourth hazard, the unemployment hazard, a few employers have adopted wage-reserve plans, which is a sure indication that such plans are approved in principle by a large number of employers. To begin with what is already admitted by common consent to be necessary, smooths the way to the desired goal.

The road to this goal is cleared also by the fact, comforting to taxpayers, that the plan involves no expense to the Government. Aside from the cost of administration in Washington, which under the plan here proposed is quite negligible, the expense can be wholly absorbed as a production cost in the industrial process. That is where the cost properly belongs, because depreciation of human machinery is a production cost. We are seeking to demonstrate that a social-security program can be made to pay its own way, and it seems self-evident that the four items in the program here listed as the first essentials, not only can be self-supporting, but ought to be.

If, then, this social-security program were put into operation by an effective Federal law, to what extent would it abolish the problem of unemployment? To this extent, namely. The annuity program operating throughout industry, I calculate, would eliminate 1,015,388 old workers, putting them on the pension pay roll, making room for that number of younger workers. That is the estimate, based on conservative data, of the number of employees 65 years old and over

now in American industries. This would not only decrease the unemployed to that extent, but automatically keep them decreased to that extent in the future.

The wage-reserve plan, when in operation will abolish unemployment as a problem to the extent of 2,348,000. This is the average annual number on the unemployed list during the 10-year period, 1921 to 1929, inclusive. It is a typical period, including both a depression and some prosperous years. This means that there will always be a volume of unemployment, and always ought to be a reserve labor force for the efficient conduct of business. But it will constitute no problem, if those occasionally unemployed are protected by a wage reserve as here proposed.

The number of unemployed thus eliminated as a problem, in these two classes, by the annuity plan and the wage-reserve plan is 3,363,388. Would not the elimination of this number of unemployed from our problem be a notable achievement? The road to it is clear and straight. Inasmuch as the cost of this achievement can be easily absorbed as a production cost in industry without any public expense, there ought to be no difficulty in obtaining general assent to a proposal at once so feasible and so advantageous.

DISPLACED WORKERS

So far so good. But what about the third class of unemployed, the displaced workers? The annuity plan will absorb roughly about 1,000,000 unemployed. The wage-reserve plan will absorb roughly about 2,000,000 unemployed. It is designed to protect only the occasionally unemployed. Industry can be justly required to bear the cost of only that amount of unemployment which occurs as the consequence of its own operations.

But when the number of unemployed came to be 4, 6, 8, 10, 12 millions, it became evident that it would be physically impossible for industry to build up a fund sufficient to care for this large volume of unemployment, which occurred not as a consequence of its own operations, but as the consequence of the breakdown of our whole industrial system. The Government could provide such a fund by putting an unbearable and increasing burden on taxpayers, but wholly apart from the mountainous financial burden involved, I assume we are agreed that to support this large number of men in idleness by a public dole as a permanent policy would inaugurate a national calamity of the first magnitude. The scope of the calamity is enlarged when we realize that the invention of improved machinery is progressively replacing more and more workmen, who cannot be reabsorbed in industry. Obviously a large volume of the present excess of unemployment is not a normal reserve labor force, but an abnormal displaced labor force, which requires a wholly different solution.

SUBSTITUTES FOR POORHOUSES

In the huge and abnormal volume of excess unemployment at present existing, it is customary to include the large group of unemployables; that is, the aged and indigent, widowed mothers with no means of support, and dependent children. The Economic Security Act submitted to Congress by the administration provides relief for these groups.

It is altogether fitting that relief should be furnished to these groups, and such measures exhibit the traditional and conspicuous readiness of the American people to aid citizens in need. They ought to meet universal approval. Such relief is more than an act of ordinary kindness but a wise conservation of our human resources. Children constitute not only the ground floor of life, the stuff out of which men and women are made, but the largest financial asset of the Nation, our most important class of citizens. It is not kindness, but common sense, to conserve such wealth.

It is fitting also to furnish such relief as direct aid from public appropriations. These pensions are substitutes for poorhouses and private charities. They will cost no more—probably less; and they are more dignified.

It is fitting also that the Federal Government should share this burden with the States. If the administration of public and private charity in local communities is inefficient and wasteful, as it frequently is, the Federal Government's contribution can be utilized as a lever to elevate the standards of local administration. The way to elevate them is not the disuse of local machinery but its right use. With this improvement, the work will be better done through local machinery than apart from it.

While pensions for these groups are worthy and wise, they do not properly belong in a social-security program, but ought to be covered in a separate legislative measure. The method of financing them is essentially different, and the method of administering them is essentially different. It is hoped that the need for such pensions is temporary. At least it is a reasonable expectation that the need for them will progressively decrease. We ought to operate on this theory, because we can make the need decrease.

But social security is a permanent need. The aim of a social security is a permanent need. The aim of a social-security program is to furnish a degree of economic independence in the face of certain permanent industrial hazards, not as a charity which may be continued or withdrawn at the will of a legislative body but as the earned reward of service. This goal can be achieved only if such plans are made to be self-supporting.

Using words accurately and honestly, a social-security program is one which furnishes security against known hazards; security which insures not only the individual against these hazards but insures society as well. This is the obvious meaning of the term "social security". Therefore, such a program ought to include only those plans which, whether a large or small amount, can be absorbed as a production cost, and in consequence treated as a supplement to wages, so that the protection may be contractual and dependable. Otherwise it is not security, but temporary relief.

HOMESTEAD VILLAGES

Our purpose is to demonstrate that a social-security program can be wholly self-supporting, entailing no expense on the Federal Government, and be a better program on that account. We think it has already been demonstrated, so far as concerns the four hazards considered up to this point: Death, disability, dependence in old age, and occasional unemployment. It seems clear that they can be, and ought to be, self-supporting through a compulsory plan, operating in all organized industries, and which the large majority of industries would recognize as just and feasible, if made universal.

This is that part, and the only part, of our problem, for which industry can justly be held responsible. But as to the large army of employables, men able and willing to work but now out of work, it is neither just or physically possible for industry to provide a sufficient fund to maintain this army as a reserve labor force. This is the crux of our problem, and will continue to be so just in proportion as improved machinery displaces manpower, as it is doing, and ought to continue to do, and just in proportion as our productive capacity exceeds the power of consumption, as it now does, and as it ought to continue to do.

The excess volume of displaced workers is the heart of our problem, but it glares by its absence in the Economic Security Act now before Congress. Is it not clear that there can be no social-security program, even approximately effective, if it omits this paramount part of the unemployment problem?

It ought to be obvious that legislation requiring industries to adopt a program covering only the four hazards so far listed in our discussion can yield protection only to those workmen now employed in industries. If it stops here and contains no provision covering workmen now displaced from industry, and who will continue to be displaced even when business revives, it is offering to the public a false hope, and is foredoomed to become a bill of broken promises. President Roosevelt in his radio address of November 31, 1934, expressed what must be our true guiding principle when he said, "I stand or fall by my refusal to accept as a necessary condition of our future a permanent army of the unemployed." Any legislation on the problem of unemployment not constructed on the President's formative principle is like playing Hamlet with Hamlet omitted.

Unemployment has been correctly defined as the involuntary idleness of those willing and able to work. The vast numbers of them at present existing is the symptom of a serious social disease. Concerning the personal tragedy of it, Thomas Carlyle expressed the unexaggerated truth when he said, "A man willing and able to work and unable to find work is perhaps the saddest sight that fortune's inequalities exhibit under the sun." Is it not clear that some method of eliminating this personal tragedy and social disease must be given priority in any serious consideration of our problem?

Inasmuch as it is impossible for industry to maintain this huge number of unemployed employables as a reserve labor force, and inasmuch as it is unthinkable that the Federal Government should permanently support in idleness men able and willing to work, what shall we do with them? As I see it, there is only

one correct answer to this question. The law of cause and effect makes it obvious. It is this. We must some how create a new opportunity for these men to earn their own living.

This answer is general and is self-evident. If we come to a bill of particulars and inquire what concretely is the best way in which these men can be given a chance to earn a living, there is probably ample scope for difference of opinion. There may be several good projects designed to achieve this purpose. But it is too self-evident to need demonstration that some way for idle men to earn a living must be found, and I believe can be found.

The project, which many years of thoughtful investigation have convinced me is best designed to achieve this purpose, is the "homestead village" or "farm village" project. It is wholly self-supporting; it creates and maintains purchasing power; and it is in itself social security on the principle that the best insurance against unemployment is employment. During many past centuries, the use of land has furnished the answer to the same problem which confronts us, and it is the convincing answer now. It is not without large significance that the land has been called "Mother Earth." This is not a mere sentiment but an economic fact. A return to mother earth is like going home; going to the original and permanent base of support for mankind.

In a brief treatment of a subject like this, involving as it does a new way of life, a whole volume must be left in the inkstand unsaid. A few facts are sufficient to indicate its conspicuous merits and large possibilities. There are three distinctive types of homestead villages; those in which homesteaders depend wholly on the soil for a living; those in which they depend on an industry for a cash income; and those in which they combine these two activities, depending partly on the soil and partly on industry.

Omitting the large social and economic values in these various types of homestead projects, the central advantageous idea can be clearly illustrated in the industrial type. The homestead as here used, is a modest inexpensive but comfortable and artistic house, built on an area of productive land, ranging, in this type of village, from 1 to 3 acres. The payments for principal and interest are amortized over a period of 15 or more years at a low rate of interest, not over 5 percent but 3 percent would be better.

If and while a homesteader was employed full-time in a neighboring factory, he could supplement his wages by a partial use of his land, with the assistance of his family, by raising a few vegetables and keeping chickens or a pig and cow. During periods of unemployment, he could make as full use of the land as possible, and partially or wholly support himself, instead of becoming the victim of public or private charity.

Thus a homestead of this type becomes his social security and a means of economic independence. Homestead villages ought to be an integral part of every industrial social-insurance plan. Is it not clear that an employer operating a pension plan and a wage-reserve plan, would not need to provide for those employees occupying homesteads half as large retirement pensions and unemployment wave benefits, as otherwise he would have to provide? This is an easement to the reserve funds and also an advantage to John Doe. It is the social-security principle applied to home building.

By way of contrast, an employer, whom I have long known, built a few years ago 100 houses near one of his New England mills and made them available to his employees. The average cost was \$3,500, making a total of \$350,000. It was a typical building enterprise, the houses were double, and built in rows on meager town lots. Shortly after the employees began to use them, the depression occurred and they lost their jobs. The houses were thrown back on the employer's hands and so were the workmen or thrown on the community to be supported by public or private charity. The investment is totally frozen. The employer has offered to sell the houses for \$100,000, less than one-third the cost, and cannot find a buyer at that.

When I told him that his enterprise had been a 100-percent failure, he said we have discovered that by experience. If he had gone a little distance from his factory and built these houses on plots of 1 to 3 acres of fairly good soil, and if he had built not merely houses, but a community, operating as an independent village, not as a mill village, these houses would not now be a liability, but an asset. It is all the difference between plus and minus. John Doe could have carried this type of house, if he were employed on a small-work schedule or if he were covered by a social-insurance plan as he ought to be. But there are ways in which he could carry it if he had neither a job nor social-insurance protection.

If my employer friend had built the homestead-village type of house, he would probably now have 10 buyers for every homestead. At least this has been the average number of applicants for each homestead which up to the present has been offered in the Government experiments.

If, in the homestead-village method, the amortization period used is 20 years, and the interest rate is 5 percent, the monthly cost to John Doe for principal and interest, is \$6.60. If this type of homestead can be furnished him at \$3,000, as it can be, John Doe's monthly cost is \$19.80; at 5-percent rate, it is \$18.18; at 4-percent rate, it is \$16.65. This is very considerably less than the rent demanded for such a place, and, in addition, John Doe will automatically own his homestead.

It is a new and different process. It is a social-security type of homestead. I make no mention of the human and educational values. For my present purpose, I merely stress its financial advantage to employers and to the Nation. Money talks. It opens up the social-security way of life. This is not only the safe and sane way of life for factory workers, but for all classes of people.

Therefore, the facts compel the conclusion that the homestead-village project has the possibility of being an enterprise of large national significance. Much of our housing is unfit for human habitation. Much of it is obsolete. We are now 5 years behindhand in our normal building schedule. The homestead-village project would greatly stimulate the capital-goods industries, it would create and sustain buying power in large volumes, it would furnish work for large numbers of idle men, it would open an independent way of life for the unemployed who cannot be reabsorbed in industry; it can be made either self-supporting or profit making, it would involve no expense to the Government or to anyone else. My own conviction is that the need for this project is so urgent and the field for it so large, that it can be made an enterprise second in importance only to the automobile industry, which a generation ago was sufficient, if other factors had not intervened, to have guaranteed the economic prosperity of any nation. As an alleviation and prevention of unemployment cycles, homesteads have many advantages over automobiles. Homesteads grow food; automobiles do not. The homestead-village project presents an open door of opportunity to rebuild large sections of America on a saner, sounder, more self-supporting basis, more worthy of American citizens and the Nation's ideals.

RIGHT TO EARN A LIVING

This project can be made a national large-scale enterprise, if it were financed by the Government. The Government could finance it not only at no expense to itself, but also at low rates to homesteaders. It could make loans to any extent required, because they are self-liquidating debts. It could secure money in the usual way by selling its bonds to banks and the public. It can get money at 3 percent and lend it to homesteaders at 4 percent, using the 1 percent margin to cover operating expenses, thus making the enterprise self-supporting even in its administration.

The Government could render a huge additional service and at no public expense if it would finance this project not in the usual way of borrowing the money from banks by selling them its bonds, but by buying the bonds of homestead villages, paying for them with money issued by itself, at no cost for interest, money secured by first mortgages on productive real estate. It is the use of what we may call "land currency" recommended by Benjamin Franklin. It needs no other security, but the Government merely for sentimental reasons, could give it additional security by a reserve of gold which now exists unused in its possession. The currency so used would be automatically retired as and when the loans were liquidated by monthly payments, making it a finished transaction.

The time was when the Government furnished homesteaders with land free of charge. It now has no land left to give, but in the new frontiers of opportunity to earn a living, which lie within easy reach of almost every town and city in the Nation, the Government could furnish homesteaders with the means to acquire land free of all interest charges, except 1 percent to cover operating expenses. On this basis the monthly cost to John Doe per thousand dollars on an amortized basis of 20 years, would be \$4.62 and for a homestead costing \$3,000 he could liquidate the debt by a monthly deposit of \$13.86 as contrasted with \$19.80 on a 5-percent basis as above stated. The monthly difference of about \$6 is an enormous difference to John Doe, and may be all the difference between success and failure to large numbers of citizens in the process of acquiring homesteads. In our present emergency the use of land currency to help abolish unemployment would exhibit the exact and proper function of money. It is like the function of a postage stamp in carrying a letter. The letter is the important thing; the postage

stamp is merely the means used in the business of transporting the letter and is destroyed when the transaction is finished. This method of financing the project would also eliminate one of the chief causes of our industrial break-down and one of the chief factors retarding recovery, the factor of excess interest.

Nevertheless it is only too probable that the method suggested for the use of land currency is too sound, too simple, too inexpensive, too daring to warrant the expectation that Congress will adopt it in the near future, if ever, even though it is supported by the great name of Benjamin Franklin, our most distinguished philosopher of thrifty finance and although it was successfully operated for 50 years in the Pennsylvania colony. If our tragedy of unemployment continues or grows worse, it may be that we will be compelled to use simple direct feasible solutions. In the meantime the best we can hope for is that the Government may finance the homestead-village project by securing funds in the usual way.

Neither of the two methods involves the Government in any expense, the financing of the project presents no obstacle. Our one obstacle lies elsewhere. If this enterprise is to be self-supporting so that it can be utilized to absorb displaced workers and be made an effective means of social security, there is one guiding principle which must be resolutely faced and honestly accepted.

The Federal Government has spent \$25,000,000 in starting the construction of "subsistence" homestead villages as an experiment. Its specified purpose is "subsistence" only: Homesteaders are not permitted to sell their products and earn a living. If a homestead village is to render any real service in helping to solve the problem of unemployment, it is self-evident that its objective must be to furnish not mere subsistence, but a means of livelihood. How otherwise can it offer a self-supporting way of life to displaced workers?

The "subsistence" theory, applied to a homestead village, not only defeats its designed purpose, but is a basic fallacy. The right to earn a living is a natural right, which no class of citizens can monopolize and deny to other citizens. If it is not a right of all, it is not a right of any. The American democratic doctrine, as Walt Whitman indicated, is that no citizen claims the right to enjoy anything which all other citizens cannot enjoy the counterpart of on like terms. Any citizen who violates this principle does so at his own peril, the risk of losing his own rights.

Strangely enough the right to work was not included among the basic natural rights listed by Thomas Jefferson in the great declaration which gave birth to the Nation; only the rights to life, liberty, and the pursuit of happiness. But the right to the pursuit of happiness is merely theoretical and meaningless unless one has a right to the things which produce happiness; the right to liberty is theoretical and meaningless unless one is in a position to exercise it; the right even to life itself is theoretical and meaningless unless one has a right to secure the means necessary to support it. The right to work, to earn a living, to secure enough to support a family in decency, is a prior antecedent right, without which no other rights have any value.

Jefferson's omission of it seems strange to us now, but it did not seem strange to him. It never occurred to his mind. Why? Because the famine for work had not been created. It is the byproduct of our modern industrial system. In Jefferson's day work in America was regarded only as a duty which men were urged to perform; a moral duty, not an economic right. The revolutionary transformation in our conception of work from the status of a duty to be reluctantly accepted to the status of a right to be belligerently demanded is one of the most interesting and disturbing events which has occurred in our industrial and mental evolution during the past hundred and fifty years. It is a fact big with consequences and significant of much. How much, could be discovered dramatically if one would go to an audience of unemployed men, willing and able to work, and try to make an address on the duty to work. It would create a scene so tragically amusing that no one would have courage to try it. So dwindled down is now the demand made on life in this period of plenty by vast numbers of citizens that the supreme happiness which these men seek is merely the right to work and earn a living. That is the pathetically meager limits of their demand. It must be granted to them, not only as their birthright as citizens, but as a measure of national defense and social security.

ABOLITION OF UNEMPLOYMENT

Inasmuch as industry cannot absorb the volume of excess unemployment and ought not to be blamed for not furnishing what it does not have, it is here suggested that the Government ought to open to all unemployed employables a

way to earn a living, and that the most feasible way is in self-supporting farm villages. But it is not yet apparent that the Government will be able to meet this need. If it cannot discard the "subsistence" fallacy and organize these enterprises on the livelihood basis, then they cannot be self-supporting. And if they are not self-supporting, then they cannot furnish a livelihood, or increase buying power for the products of industry and help restore the balance between production and consumption. If those who, while exercising the right to earn a living for themselves, desire to monopolize this right and deny it to their less fortunate fellow citizens, are able to influence Congress sufficiently to prevent the Government from conducting this enterprise on a self-supporting basis, then it can be conducted as a private enterprise on a profit-making basis.

The Government is compelled to operate on the lowest common denominator, which sometimes is quite low. Therefore, it is only too probable that the Government will not be able to conduct this project as a self-supporting enterprise at present and may never be able to do so. Hence, it is a fortunate circumstance, that whatever the Government may or may not be able to do, this project can be conducted successfully as a private enterprise. There are distinctive advantages, which can be secured for homestead villages only if the project is conducted as a private enterprise, and if conducted privately it offers a large opportunity for use of unemployed capital as well as unemployed men. Therefore, in any case, it ought to be a volunteer enterprise, but it ought to be conducted by the Government as well. The need and scope for it are so vast, that there is ample room both for the public and private type of enterprise.

The experiment on this project, which the Government has been conducting for the past 2 years, has rendered a conspicuous public service by directing the Nation's attention to the need for it. Many mistakes, of course, have been made. But it is the right of the Government, as it is the right of any individual, to learn by making mistakes. When Gladstone was asked how he had acquired such an expert knowledge of the rules of parliamentary procedure, he answered, "by breaking them." Negative results may have positive value. The Homestead Division has been useful in exhibiting what not to do as well as what to do; and on both counts has accumulated valuable information available for general use.

Needless to say, it has been handicapped by the apparently unescapable and usual red tape. To a creative type of enterprise like this one, red tape is more uncongenial than to any other, because it is more wasteful and more damaging to efficiency. The damage done by red tape is often so great as to reach the limit of humor—the type of humor exhibited in the experience of a cultivated Chinese and his wife living in San Francisco. They made a 3-month visit to their native land, and during this visit they became the parents of a new baby. When they returned, the immigration officer at this post admitted the father and mother, but ruled that their infant baby could not be admitted. The law provided that while Chinese living in the United States could leave and reenter the country, no new Chinese could be admitted. When a strenuous protest was made to the Secretary of the Interior, the immigration officer sent on his papers to Washington with a memorandum defending his ruling. Is not this baby a new Chinese? Is not this the law? The formula seems entirely correct. The Secretary returned the papers on which he had written this brief instruction: "Burn these papers; don't be a damn fool." If there were attached to the Homestead Division an engineer who officially could order the burning of red-tape rules and formulas, the increase in its efficiency would be conspicuous.

But the serious handicap of this experiment of the Government lies in the fact that it is attempting to do the impossible. The enterprise was sincerely undertaken, and those who inaugurated it gave to it their unstinted devotion. They are progressively discovering what ought to have been obvious from the first. They are trying to balance the budget of the homestead villages they construct, but the law which authorized the project distinctly specifies that it must not be self-supporting. It is a mathematical certainty that we cannot add together a balanced budget and nonself-support, any more than we can add together three quarts of milk and three quarters of a mile. The necessary conclusion is that unless the Federal law controlling this project is fundamentally revised, the project can never achieve its designed purpose, and that it must be conducted as a private enterprise on a paying basis. The present value of the Government's experiment is its usefulness as a pump primer to stimulate the use of private capital in the construction of homestead villages, and this was one of the Government's avowed purposes in starting it.

There will be no lack of capital as soon as it is discovered that the project can be made to yield a fair and dependable return on the investment of brains, labor, and money in the enterprise. No profit-making homestead village has as yet been constructed. That is why it ought to be as soon as possible. They will never be constructed in large numbers, as they need to be to absorb excess unemployment and yield social security, until they exhibit their profit-making possibilities. It is not possible to escape the law of economic determinism. The effective way to make this project serve social ideals is to make it pay its way financially. The proper place for ideals is a cash box.

It is necessary immediately to clarify what is here meant by profit making lest it be misunderstood. This project will be foredoomed to failure if it is commercialized in the customary manner hitherto prevailing. There must be no exploitation, no promotion-scheme methods, and no element of speculation—only profits which are created by labor and honestly distributed. There is no objection to profits if they are honestly made and justly distributed to those creating them. On this basis the larger the profits the better for all concerned, and this should be the legitimate aim of the project.

The new type of homestead village, as here conceived, is a city of refuge and escape from several conspicuous hazards of modern industry and modern life; it also exhibits the operation of several conspicuous principles in our American theory of a democratic way of life and education. Both classes of advantages become obvious enough as soon as the project is examined with any degree of care.

What has not yet been discovered is the fact that this project can be a profit maker. All the activities involved in the enterprise have separately been long in operation and demonstrated successes. What is needed to make the homestead village as an enterprise to be a profit maker is the integration of these activities. It is essentially a social-engineering task, which while complex is not difficult. Social engineering is the process of integrating all those elements needed to produce a designed and desired result in any field. This is the key to the financial success of a homestead village. The process of integration at once eliminates a large number of burdensome and needless wastes, which means an increase of profits, because money saved is money made. It also creates new wealth which adds still more to the profits.

If then this engineering principle of integration, which is a universal law of the physical world, is applied to this project, it can be demonstrated, as I believe, before any investment is made, not only that the investment is the safest anywhere to be found but also that a satisfactory return on it can be definitely assured. I say definitely assured, because the four chief sources of income, not the only sources, but the four largest known definite sources of profit are under the control of the management of the enterprise, and therefore not an uncertainty.

If these results are to be assured, it cannot be overemphasized that this project is essentially not a house-building project but a community-building project. This is a short sentence, but a whole volume would be justified to stress its importance. It is another way of stating what is the key to its financial success. It is a way of saying that the kind of method used ought to fit the kind of a project it is. This is merely saying that what we need to apply to it is organized common sense.

The profit-making possibilities of this enterprise, together with its obvious contribution to the permanent solution of unemployment, are so significant that it is within the bounds of sober truth to say that there is solid ground for the expectation that during the next 20 years it may become one of our major national enterprises, capable of creating and sustaining economic prosperity in large measure.

PURCHASING POWER INSURANCE

The homestead-village project obviously is a long-term project, and in consequence of its nature must be developed slowly. It could be started on a large scale, but its development ought to proceed only as rapidly as is consistent with its healthy growth, because it is concerned not only with building machinery but with human machinery. This is the only safe formula to follow. We ought not to expect the fruit the day after the tree is planted.

Because the soundness of the project requires its slow development, special measures are necessary to meet the emergency of providing work immediately for the unemployed. This the Federal Government plans to do in its relief program through public works on a large scale. Some of them are needed improvements, some of them add to the permanent wealth of the Nation, but most of them create debts, which are not self-liquidating. We would not add to our national debt by undertaking them in this period of depression if we did

not need "made-work" to meet an emergency. Both the conservation of natural resources and the conservation of man power furnish ample justification for this investment in public works.

The public-works program is covered not in the Economic Security Act, but in a separate legislative act, which is as it should be. Public works for relief purposes are temporary and not self-supporting, but a social-security program ought to be, and therefore ought to contain only those activities, which are self-supporting. Whatever measures we adopt for temporary relief we ought at the same time to adopt a project for the elimination of the need for relief, like the homestead-village project, designed to be a self-supporting method of absorbing the unemployed and keeping them absorbed. As homestead villages progressively open to the unemployed the means of earning a living, the money expended on public works can be progressively decreased.

This can unemployment as a problem be abolished. Not the relief of unemployment, but its abolition is the only goal worthy of America. A dole ought to have no place in our social-security program. A dole is demoralizing both to the giver and receiver of it. A dole is no solution, but an aggravation, of our problem. It does nothing to end unemployment, but insures its continuance. It accepts and recognizes unemployment as a permanent condition. It is an easement to the conscience of a nation, which has not sufficient social intelligence or good will to discover and remove the cause of unemployment. It may be a necessary evil to a nation whose golden age lies in the past, but not to a nation like America, whose golden age lies in the future. We are not conducting a retreat, we are going the other way. We refuse to surrender to a condition, which has no justification for existing at all.

A self-supporting social-security program is worth all its cost, whatever it costs. The interesting fact is that its cost is not an expense, but the means of saving expense. The attitude of industrial leaders to a social-security program would be immediately transformed if they ceased thinking of it as a charity or a relief measure or an added expense, and began thinking of it as it actually is. Its true significance would be exhibited if we selected a short descriptive term disclosing its economic purpose. We would discard the term "unemployment insurance" and substitute the term "purchasing-power insurance". This insurance, unlike other types, does not pool the risk, because there is no risk. It assures a definite benefit to all. The aim of a sound preventive self-supporting program of social security is to create and maintain mass buying power which is a benefaction to all classes, and without which economic prosperity cannot be restored or maintained. As soon as industrial leaders began to think of the program as it is, and to judge it by the fruits it is designed to yield, they would cease trying to make it cost as little as possible and try to make it cost as much as possible, and as is consistent with sound economics. Considered in terms of its big objective; that is, as purchasing-power insurance, a self-supporting social-security program, with a generous schedule of benefits, would merely apply to business the same policy which years ago Henry Ford applied to it in his policy of a large minimum wage scale, not how small a wage the labor market made possible, but how big a wage he could afford to give. This smart policy originated in the simple discovery that his employees were also his customers, that they could not buy his automobiles if they lacked the means to buy them. It is the logic of common sense and mathematics. Two plus two equal four and cannot be made to equal anything else. The way to restore purchasing power is to restore it.

The social-security program, here described, is recommended not because it is merely self-supporting, but because it is equivalent to purchasing-power insurance; it is recommended not because it means no increase in the public debt, no increase in taxes, no distribution of doles, but because it makes possible the abolition of unemployment as a problem. To achieve this purpose, the proposed program includes three distinct plans to cover the three chief and outstanding classes of the unemployed; the self-supporting industrial-annuity plan for those, whose unemployment is due to the natural hazard of old age, furnishing them a minimum of economic independence after a lifetime of work; the self-supporting wage-reserve fund for those whose occasional unemployment is due to the natural fluctuations of business, sustaining them physically and morally as a reserve labor force; and the self-supporting homestead village to absorb displaced workers, furnishing them the means of earning a living and relieving taxpayers of the burden of their support.

The tragedy of life lies not so much in what men suffer as in what they lose. The tragedy of the great depression lies not only in the suffering entailed on the innocent and guilty alike, but in the huge volume of wealth we have lost by our

failure to utilize the creative labor of millions of unemployed citizens. If this tragedy is to be prevented from persisting, it is essential that a social-security program must be organized not on the policy of doles and increased taxes, but on the policy of self-support and prevention.

The simple way of doing a thing or solving a problem is almost invariably the last step in the process to be discovered. This has been the usual experience in the development of mechanical machinery. If there be any who object to the simple direct method here proposed for the abolition of unemployment as a problem, I can only say that I think the sufficient answer is to ask them the wise question stated in the Greek proverb, "If water chokes, what can one drink to stop choking?"

The CHAIRMAN. I desire to submit in the record a statement on the pending bill by Mr. Richard W. Hogue, director, Independent Legislative Bureau, Washington, D. C.; also statements by the Washington branch of the American Association for Social Security, and by Mr. Clarence A. Kulp, University of Pennsylvania, Philadelphia, Pa. There is also submitted a letter from Mr. Percival Hall, chairman, executive committee, Conference of Executives of American Schools for the Deaf, Inc.; and a letter addressed to Senator Robert F. Wagner, of New York, by Mr. Ralph Whitehead, executive secretary, American Federation of Actors, New York City.

STATEMENT BY RICHARD W. HOGUE, DIRECTOR, INDEPENDENT LEGISLATIVE BUREAU, WASHINGTON, D. C.

Mr. Chairman, in view of the very full testimony already placed before you, I shall offer only a brief written statement. I should not do this but for the fact that only a few passing references have been made to two matters which seem to others besides myself of really major importance.

The references that have been made to the first of these matters convey a very erroneous and unjust impression. This should be corrected for the sake of the record. The impression has been given that consideration of social-security legislation has been suddenly thrust before an uninformed and indifferent Congress. This has been implied by certain witnesses, particularly in regard to old-age pensions. It has been conveyed by a part of the daily press to a large portion of the American people. What are the facts?

For several years Congress has been seeking to evolve a sound and an effective plan of Federal old-age assistance. In the Seventy-third Congress the Pension Committee of the Senate and the Labor Committee of the House unanimously agreed on and reported out identical measures. Overwhelming sentiment for the passage of this legislation existed in both Houses. Appeals were made to the President and to administration leaders to allow the legislation to be placed on the administration's "must" program. This was not done. The bills were not permitted to come to a vote in either body after the President announced that he would present a program for social security to the Seventy-fourth Congress. This statement of fact should have a place in the record of these hearings.

The demand for national old-age pension legislation has existed in Congress and throughout the country for many years. Twenty-eight States and the Territories of Alaska and Hawaii have old-age pension systems. A campaign of education and active legislative effort has been carried on for many years by many forces, notably by the American Association for Social Security. Nation-wide sentiment has been crystallized during the depression. Certain last-minute organizations have set out to capitalize this sentiment. Each one of them claims that it is forcing action by a reluctant Congress, under the fear of political reprisals. This claim is both unfair and unfounded. It would be less worthy of notice were it not for the tragic disillusionment that awaits the aged poor who who have invested their faith, as well as their small savings, in the claims and promises of these privately organized and controlled old-age pension movements.

THE MAJOR ISSUE

There is one chief factor that will determine the success or failure of old-age annuity and unemployment-insurance legislation by Congress. Beneath the structure of administrative methods and legislative standards its foundation

must be socially just and economically sound. If it is not, it will defeat its own ends and sooner or later be nullified or replaced by the people. What happened to the prohibition amendment is even more possible in the case of a law that has not become a part of the Constitution.

In the minds of many who are not influenced by partisanship or self-interest the foundation on which it is proposed to base this legislation is unsafe as well as unsound. If they are right, as they may well be, the legislation will prove unworkable, harmful, and finally intolerable.

There is no need to dwell upon the conditions of the vast majority of the people of this country. If the depression were to end tomorrow, as it will not, it would take years to replenish their long-exhausted resources. Can they meet the payroll taxes imposed in this bill? Can purchasing power be increased by diminishing its chief sources? Is it either socially just or economically sound to overburden the impoverished, to lay taxes on those who cannot pay them, to force the cost on those least able or unable to pay it? Yet this is precisely what is proposed in the provisions for setting up a system of old-age annuities and unemployment insurance.

Does anyone doubt that most of the huge cost of this legislation will be passed on to the consumer and the worker, both as worker and consumer? Can they meet it during or even long after, the most severe and prolonged depression they have ever endured?

There is only one way to avoid doing this and reaping the inevitable consequences. That is to place a substantial part of the cost on those who are in a position to meet it, through an inheritance tax, a tax on surplus incomes, a tax on that part of the wealth of the Nation which has been exempt from its full share of the cost of national well-being. No sane man can argue that such wealth does not exist, and in abundance. No fair-minded man will claim that it is not largely the product of other hands than those in which it is held. You have only to recall such cases as that of the young woman who has inherited \$30,000,000 bequeathed by one man from a fortune built on the labors of exploited workers and the purchases of overcharged consumers.

The surplus wealth exists. The right to tax it for the public good is in the hands of Congress. Does not that right become a duty in the presence of the crisis that confronts the country? Is it not the surest and simplest way to revive the spread of purchasing power essential to industrial recovery and human well-being? According to Stuart Chase, the expenditures of the rich and the very rich constitute only 3 percent of the total annual amount spent for consumers' goods. Those who need the purchasing power do not have it, while those who have it can only use a small fraction of it. So long as this condition prevails just so long will Congress have to battle with the ever-increasing problems created by social maladjustment.

Beneath a system of social security there must be a foundation of financial security. Such a foundation cannot be built out of the exhausted or depleted resources of consumers and employees. Our people, our States and the counties in our States cannot bear the whole burden. There should be a substantial-Federal subsidy from sources able to supply it. Such a subsidy should lead to a national system of social security. The permanent soundness and justice of such a system will some day be recognized. Even today the arguments against it are not convincing. On this point I respectfully ask the members of your committee to read with open and impartial minds the article which I herewith submit.

CONCLUDING PART OF ARTICLE BY GEORGE SOULE IN THE NEW REPUBLIC FOR JANUARY 16, 1935

Although there is strong opinion among the experts that a national plan is preferable, and although support for this course exists in labor and even among influential employers, it has not been seriously considered by the President's Committee on Economic Security.

The case for a national plan is almost axiomatic: The markets for both goods and labor are in large degree national; competition is mainly on an interstate scale; the great corporations which administer the bulk of production and distribution are nationally controlled and the policies of others are decided on a Nation-wide basis; all the other elements of the "New Deal" legislation are embodied in national measures; a national scheme would make certain the inauguration of unemployment insurance promptly throughout the country; it would make possible a wider distribution of the risk and more adequate benefits when, as is often the case, certain regions are more heavily hit than others; and a national

plan would make possible the essential knitting together of the various elements of a true security program, such as unemployment insurance, relief, old-age pensions, and the rest.

The case against a national plan may be outlined—though by no means fully discussed in the space here available—under the following heads:

1. Speed of enactment: State legislatures are already meeting, ready to put through plans; something must be done to encourage them. (The answer is that not more than half the States at the outside are likely to pass a measure; we may spend a quarter-century getting the rest to do so and then another quarter-century obtaining an adequate national scheme to supersede the confusion of 48 different State schemes, each one of which will have developed a vested interest of its own.)

2. Necessity for experiment: States can try different plans and we can learn on a limited scale and without great risk of loss what their virtues and defects are. (Other countries have done already most of the needed experimenting. On their experiences we can build a fairly good national system. The only really new experiment proposed in this country is the Wisconsin plan, and we can predict almost certainly that, whatever its success, it will be inferior as an attack on the problem of security.)

3. Need of decentralized and local administration: A Federal plan would be too big and unwieldy. (There is no proof whatever that State administration would, outside of exceptional instances, be better than Federal. Administration of any new scheme is indeed a highly important matter, but would 48 separate administrations of insurance in a Nation-wide industrial system be any better than a single administration setting standards and decentralizing those functions that can better be handled locally?)

4. Those concerned cannot agree on the nature of the plan; therefore we must allow them to differ by States. (Unfortunately it is true that the experts cannot all agree, and that there are differences between labor and employers. Such controversies, however, precede almost all legislation and are customarily resolved by majority rule or by the decision of the responsible executives. If we waited for experts, capital, and labor to become unanimous on any subject whatever, we should never try anything.)

5. Congress would not pass, and if it did the courts would declare unconstitutional, a national system. (Congress would pass almost anything in the line of security legislation that the administration favored. It may even pass measures to which the administration is opposed, * * *. Some, at least, of the experts on constitutional law believe that no good grounds exist for invalidating national unemployment-insurance legislation; if the Supreme Court should do so, it would be even more likely to wipe off the slate most of the other "New Deal" legislation.)

In spite of these considerations, the administration has apparently made up its mind to support a bill resting upon State systems. It will probably encourage State legislatures by a scheme similar to the Wagner-Lewis bill penalizing employers by Federal taxes in States that do not set up unemployment-insurance plans. It probably will not even adopt the suggestion to give grants-in-aid as an encouragement, because of its commitments toward budget balancing. And probably the standards it will set up for approval of State systems will be as lax as possible. All this, I believe, will in the future appear to have been a cardinal error.

JOINT STATEMENT TO COMMITTEE, SUBMITTED BY THE WASHINGTON BRANCH OF THE AMERICAN ASSOCIATION FOR SOCIAL SECURITY

This statement is issued jointly by the following:

Barbara N. Armstrong, University of California; author of "Insuring the Essentials", and staff expert of the President's Committee on Economic Security.

Bruce Bliven, editor, "The New Republic."

Paul Brissenden, professor, Columbia University.

Douglas Brown, professor, Princeton University, and staff expert of the President's Committee on Economic Security.

Eveline M. Burns, Columbia University.

Edward Corwin, professor, Princeton University, formerly president American Political Science Association.

Abraham Epstein, executive secretary, American Association for Social Security, and author of "Insecurity—A Challenge to America", "The Challenge of the Aged", etc.

Carter Goodrich, professor of economics, Columbia University.

H. A. Gray, professor, New York University Law School.

William Green, president, American Federation of Labor, and member of the advisory council of the President's Committee on Economic Security.

Helen Hall, head worker of the Henry Street Settlement, and member of the advisory council of the President's Committee on Economic Security.

George L. Harrison, president, Brotherhood of Railway Clerks, and member of the advisory council of the President's Committee on Economic Security.

Stanley M. Isaacs, president, United Neighborhood Houses of New York.

Paul Kellogg, editor, "The Survey," and member of the advisory council of the President's Committee on Economic Security.

Estelle Lauder, executive secretary, Consumers' League, eastern Pennsylvania.

John L. Lewis, president, United Mine Workers of America.

Broadus Mitchell, professor, Johns Hopkins University.

Mary K. Simkhovitch, head worker, Greenwich House, New York.

Sumner Slichter, professor, Harvard University.

George Soule, editor, "The New Republic."

Bryce Stewart, author "Unemployment Benefits in the United States", etc.; staff expert of the President's Committee on Economic Security.

Robert J. Watt, executive secretary, Massachusetts State Federation of Labor, and member of Massachusetts Commission for Unemployment Insurance.

Margaret Wiesman, executive secretary, Consumers' League of Massachusetts.

Mary Gibson, University of Chicago.

The joint statement:

"We commend in principle the administration's program as recommended by the President's Committee on Economic Security. We support both the principle and methods for old-age security embodied in the Wagner-Lewis Bill, which are based on the recommendations of the committee's staff and approved by the advisory council. We desire, however, to protest against the unemployment-insurance provisions of the bill on the grounds that they are inadequate and unworkable.

"The bill proposed a Federal tax of 3 percent on pay rolls. In States establishing approved unemployment-insurance systems, employers will receive a credit up to 90 percent of this tax for the contributions which they make to their State systems. Approval of State systems is conditioned on compliance with a few minor standards.

"As against this tax-remission method, a majority of the advisory council recommended a Federal-subsidy plan. Under this system the Federal pay-roll tax goes directly into the Federal Treasury. The proceeds would then be paid to those States which set up approved unemployment-insurance plans. Before any State plan could be approved it would have to comply with the uniform minimum standards of benefits and administration prescribed in the Federal law.

"American economic life is fundamentally national. It is not organized according to political subdivisions. A single industry may extend over many States. Workers cross and recross State lines. In a society of fluid capital, migratory industries, shifting labor markets, seasonal technological and cyclical forces, unemployment is a national social hazard. Any plan for unemployment insurance must be fitted to the facts of our economic life.

"The shortcomings of the present bill in contrast with the subsidy plan are:

"1. Under the tax credit, insistence upon essential standards is impossible because of constitutional limitations; the insignificant standards required of the States in the bill is an admission of this fact. The subsidy plan permits the establishment and maintenance of basic standards by a traditional method of tested constitutionality.

"2. The tax credit will produce a multiplicity of diverse and uncoordinated State programs. Employees of the same company or members of the same trade union in different States will come under widely differing plans, some receiving a fair measure of protection and others little or nothing.

"3. The tax-credit device involves the duplication of tax-collection machinery in each of the States, with resulting dual accounts and records. Under a subsidy plan the tax for unemployment insurance would be collected through the same machinery that would collect the tax for old-age insurance, thus effecting substantial economies.

"4. The tax-credit method can control the States only by penalizing the employer. Should a State fail to conform, the Federal Government's sole recourse would be to cancel the tax credit given to the employers in the State. Employers

would then have to pay the full Federal tax as well as the contributions required by the State itself.

"The subsidy plan would operate directly upon the States to stimulate action and to maintain standards.

"5. The requirement in the pending bill that the States turn over to the Federal Treasury the contributions which they collect within their own borders encounters constitutional barriers in some States which will make it impossible for them to comply. Since the subsidy plan is based on a tax, levied and collected by the Federal Government, control of the funds by a Federal agency is assured.

"The present proposal levies the tax on the earnings of all employees including the highest paid executives, yet the States are left free to limit benefits to workers earning less than designated amounts. Under the bill as now written it will be possible for a State to provide an insignificant benefit of a few dollars for 3 or 4 weeks only, after a long waiting period. Workers moving from one State to another are left wholly unprotected, while under the subsidy system it would be possible to provide for such workers by a simple administrative device.

"The subsidy plan will foster effective Federal-State cooperation in the development of an unemployment-insurance system suited to our national needs. It is simple, clear and certain, and easily and economically administered. It would achieve a substantial measure of uniform protection and yet leave the States free to experiment in making more liberal provision. At the same time it would guard effectively against unfair competition among the several States."

JANUARY 31, 1935.

HON. ROBERT F. WAGNER, *Chairman,*
Committee on Education and Labor, United States Senate,
Washington, D. C.

MY DEAR SENATOR WAGNER: Following my brief discussion with you yesterday, at our meeting arranged by Congressman Connery, I am taking the liberty of presenting in documentary form, as executive secretary of the American Federation of Actors, a résumé of the matter affecting actors, and other classes of workers similarly situated, contained in section 4, Senate Bill No. 1130, relating to old-age assistance, etc.

The bill as introduced by you provides in section 4, subsection (e) (2), page 4, that State plans for old-age assistance offered for approval shall be approved only if such plans do not deny assistance to any person, who (among other things)—

"has resided in the State for 5 years or more within the 10 years immediately preceding application for assistance."

Actors and actresses, including those who appear in vaudeville, legitimate, cabarets, motion-picture presentation theaters, outdoor amusements, and other classes of entertainers, by the very nature of their work would be unable to qualify under this provision because a large proportion of our members are constantly and continuously required to travel between cities in one or more States, and, according to the measure of their success and the consequent demand for their services, are never in any one city or State for a sufficient period of time to qualify under the 5-year-residence requirement of the bill.

As a matter of fact, large numbers of our members are, and for years have been, completely disfranchised because they are continuously traveling, and either do not have a permanently established home and family, or, if they do, are not able to meet the qualifications of States like New York which require registration by appearance in person in the voting precinct, even though actual voting by mail is authorized by statute. This is easily understandable when considering the number of artists who are either unmarried or whose wives or husbands accompany them on their tours.

Attached hereto is a copy of page 914 of the World Almanac of 1935 showing the residence requirements of the various States for voting qualifications, a representative requirement being 1 year residence in the State, 4 months in the county, and 1 month in the town and voting precinct. Our members are now more conscious of their voting privileges and benefits than ever before in the history of show business, and the requirements for voting, though much less stringent than the provisions of the bill (S. 1130), have for years proved impossible of fulfillment by actors and entertainers required to do a great deal of traveling, because they cannot control the conditions of their employment and must follow itineraries arranged by their employers and booking agents. If, as is true in some cases, an actor plans to be at his legal residence to register or vote (where

personal appearance is necessary within specified dates, and he should have an opportunity to get a week or a month's booking outside the State or county of his residence, the loss of income and possible extension of proffered employment is too great for him to afford the sacrifice.

It seems to us that the 5-year period is unduly long, and for the benefit of all classes affected, might well be reduced to approximately the same period as now required for voting qualifications. Old people, without adequate subsistence income, are often shunted from pillar to post and forced to go from place to place, accepting the charity (sometimes for comparatively brief periods) of relatives and friends and a too stringent residence requirement may easily defeat the humanitarian purpose of this legislation.

Approximately 43,000 men and women are employed in our jurisdiction, and needless to say every actor and actress throughout the country is vitally interested in looking forward to the old-age assistance contemplated by this humanitarian legislation. No employees in any field of endeavor work under more trying conditions or are subject to greater mental or physical strain than as those of our calling. To these fortunate few who win and retain for many years the public favor which results in large incomes the terrors of old age mean little or nothing, but to that large majority of the rank and file who must perforce suffer from advancing years when they are no longer a box-office attraction and when the public demands youth and new faces, the proposed legislation, if its scope is extended so as to give them the same benefits as employees in other vocations, will prove a source of everlasting satisfaction and comfort. It cannot be questioned that our people devote their lives to bringing pleasure to others, and it is not conceivable that because of the migratory nature of their work, they should be excluded from the benefits of this great social-security legislation.

As you know, our members during the war and on other occasions where a worthy purpose or charity was concerned, have always given freely and generously of their talents to benefit performances in order to bring financial aid to those in distress. It is not believed that Congress would intentionally, by too stringent requirements as to residence, deprive us of the benefits of this social-security legislation.

While it is difficult to suggest a revision of the provision of S. 1130 which will cover all our people, it is worth noting that most of them have one place where their bookings are made, principally in the cities of New York, Chicago, and Los Angeles, and they would be qualified to obtain assistance if the provision of section 4, subsection (e) (2) were amended to provide that—
“for the purposes of this act the ‘residence’ of an actor, actress, public entertainer, or other class of employees, engaged in migratory vocations whose employment requires frequent changes of residence and who are thereby unable to meet the residence requirements of this paragraph, shall, with the approval of the States concerned, be considered as the place where the applicants have regularly returned upon completion of their engagements and have resided until required to travel for the purpose of filling future engagements.”

It would be highly desirable to make provision that the application for assistance should be made in the State where the employer is located and where during productive years the contribution to the fund is deducted from the salary of the actor, but unfortunately, except in cases of employment by large concerns operating chains or circuits, the actor while booked in New York may be paid by a different employer in a different State every week and under the present provisions of the bill it would be impossible for all his contributions to the fund to go to one particular State, unless his services were performed for an employer or employers located in that one State.

Of course, this wording is not the result of mature thought as to exact language, but is sufficient to convey the idea which it is desired to have considered by you, and through your good offices by the committee considering the bill and finally by the Congress itself.

You may rest assured that the large number of our members, your constituents, whose headquarters are in New York, as well as the many thousands in other places, appreciate fully your outstanding services to the State and Nation in promoting legislation for social improvement and security, and will be everlastingly grateful to you and to all members of the Congress for your assistance in bringing within their reach the benefits of the proposed old-age-assistance legislation.

Respectfully yours,

AMERICAN FEDERATION OF ACTORS,
RALPH WHITEHEAD, *Executive Secretary*.

P. S.—It might be advisable to substitute the words “legal domicile” or “domicile” for the word “residence” in the paragraph in question if (as you of course will know) the effect of such substitution will be to extend and make less stringent the requirements of this provision.

STATEMENT BY C. A. KULP, UNIVERSITY OF PENNSYLVANIA, PHILADELPHIA, PA.,
BEFORE THE SENATE FINANCE COMMITTEE

I am professor of insurance in the Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, and a fellow of the Casualty Actuarial Society. In 1931 and 1932 I served as commissioner for Pennsylvania on the Interstate Commission on Unemployment Insurance initiated by the then Governor of New York, Franklin D. Roosevelt. In 1933 I acted as advisor to the Pennsylvania Commission on Unemployment Insurance. During the past 2 years I was chairman of the Pennsylvania Commission on Workmen's Compensation and Insurance, which published its final report in December 1934.

I wish to say that, although there are a number of things in the Wagner-Lewis bill (S. 1130) I do not like, I favor its general objectives. It is not the purpose of the following statement to provide a list of reasons why no economic-security bill should be passed. The statement is not intended to be a complete or detailed list of criticisms. Some of the defects may be eliminated before the bill becomes law.

The principal criticisms are these:

1. The omission of provision for contributory compulsory public-health insurance. In a way this is the most important defect of the bill. Public-health insurance, of all that cover social risks, is technically the easiest to put into operation. There are no actuarial problems of calculating long-time rates and reserves. The insurance fund would be expended currently, practically all within the period of collection. There would be no danger of piling up in this generation long-time obligations to be met by the next. No additional finances would need to be found. It would be possible to provide for substantially the whole wage-earning population a standard of medical and hospital care considerably higher than today at a cost no greater than under the present system. The health risk moreover presents greater opportunity for preventive work than any other. It is quite true that public-health insurance will be handicapped as long as the medical professions do not cooperate heartily in health-insurance administration. This is the time for enlisting this cooperation. Two Nation-wide medical and hospital associations are already on record as favoring health insurance in principle.

2. In the unemployment-insurance section I favor the intent of the bill to allow choice of the fundamental insurance plan (establishment reserve, industry reserve, State-wide pool) to the States. I believe at this time it would be a mistake to try to write into the law one plan or another. It would probably have the effect of canceling any action at all at this stage. I favor also the collateral objective of the bill: to secure a system of unemployment-insurance basic benefits and administration uniform as nearly as practicable between the States. Any unemployment-insurance system attempting both objectives must compromise to a greater or less degree on one of them, because obviously a completely uniform system requires a single insurance unit. In its attempt to play completely safe on the first point, the present bill fails badly on the second. The failure to require standards for insurance administration particularly is a very serious one. I am told that this absence of standards is related directly to the use of the pay-roll tax and to the desire to minimize attacks on its constitutionality. If this is true, some other method of achieving comparative uniformity between the States should be substituted.

I believe also that the unemployment-insurance fund, whatever its base, should not ask workers to contribute. As with the social insurance of the industrial accident risk, the employer should collect the cost of the insured part of the risk from the consuming public. This does not mean that employers only are responsible for the hazard of unemployment, although it is quite true they are more responsible than are workers and are in a position to do more about it. The cost of unemployment must be recognized for what it is, a part of the cost of the goods and services consumers demand. I do not believe that workers must help pay unemployment benefits in order to make them realize their blessings. There is no feeling of degradation in the noncontributory workmen's compensation system we have used in this country for 25 years. Finally, no matter how you arrange

your financial contributions, the bulk of the unemployment risk will remain where it has always been and where it must always remain, on the worker himself and on public and private charity. Assuming a full-time unemployment rate of 8 percent (and an additional 50 percent for part-time employment), the fraction of the risk to be assumed by any 3-percent-of-pay-roll insurance fund on the average will be 3-12. The worker and society will still have the remaining 9-12, and in particular cases even a greater proportion.

The question of cost, which several witnesses have referred to this morning, is an important one. To a considerable extent, however, these costs are not new costs at all but redistribution of present costs. The essential idea of social insurance is that it does logically and according to plan what has to be done anyway; in depressions like this by methods haphazard, inefficient, emotional. No one believes that unemployment insurance will be able to assume the whole unemployment loss. It is a first defense, and reduces by at least so much the demands on other sources of relief. In the case of health insurance there would be no new costs at all; there would be an important redistribution of present expenditures. The point is that someone pays now for all these social costs but not necessarily the groups and persons most responsible or most able to take steps to reduce them.

3. This would be a unique opportunity for this country, embarking on a series of social-insurance plans, to create a true social-insurance system. A considerable bureaucracy will need to be created, and the more nearly the various sections of this bureaucracy can be coordinated the better for the insured persons and for those who support the plans. It is extremely important that we coordinate our long-time relief program with unemployment insurance and to a lesser degree with the other social insurances. To prevent inequities due to overlapping and gaps, the social insurances must also be coordinated with each other. Foreign experience with poorly coordinated plans is a commonplace. At the outside there should be, State and national, no more than two departments administering the poor-relief, public-work, social-insurance program of the future. One might be welfare, one labor. The possibilities of a single department for the whole job should not be shrugged off but examined carefully. Apparently there has been no such examination by the framers of this bill.

4. The financial and actuarial problems that will result from a contributory old-age annuity program such as is proposed are so considerable that it should be initiated and expanded with the greatest caution. We already have a system of State noncontributory pensions for the dependent aged, to be subsidized by Federal funds according to the bill. Our first objective should be to strengthen this State system as an approach to the immediate problem and the more feasible goal.

CONFERENCE OF EXECUTIVES OF AMERICAN SCHOOLS FOR THE DEAF,

February 16, 1935.

HON. PAT HARRISON,
Chairman Committee on Finance, United States Senate,
Washington, D. C.

DEAR SIR: I understand that your committee has under consideration Senate Bill 1130, the so-called "economic security bill", and that the Commissioner of Education has filed with your committee a memorandum suggesting certain changes and additions. Among these changes and additions I note a request, B 1, to provide for the education of physically handicapped children the sum of \$10,000,000 for the next fiscal year and for each fiscal year thereafter to be allocated to the United States Office of Education. I have no doubt that your committee will arrive at a just conclusion as to whether or not such assistance is necessary in a general way to promote educational work among this handicapped class of children. I note further under section B 4, paragraph E, the provision that not more than 25 percent of the fund allocated to any State shall be used for residential schools or institutions for physically handicapped children.

I have not had the honor of being consulted by the Commissioner of Education in connection with the proposed assistance for the education of deaf children. I do represent, however, as chairman of the executive committee of the Conference of Executives of American Schools for the Deaf, 64 residential schools for deaf children in the various States in which over 14,600 deaf children, or practically 77 percent of all deaf children in school last October, are educated. These schools represent an investment in plant and grounds of more than \$32,000,000. All of them have a history of earnest and successful endeavor in the education of the

deaf, including vocational education. This is attested by the figures of the 1930 census, showing that 88 percent of the adult deaf are self-supporting, whereas only 89 percent of the total adult population is put in the same class. This means, of course, that the residential schools have successfully prepared their children for many years for independent citizenship.

Many of the residential schools for the deaf are not at present filled to the limit. Others could at reasonable expense provide for the expansion necessary to take care of the small number of deaf children not now in school. It is a puzzle to me to know why a policy of limiting the assistance to these well-established residential schools to one-quarter of the funds allocated for the deaf in any of our States should be urged or adopted, when 77 percent of the deaf children are being educated in these residential schools.

For some time past small schools for the deaf have grown up in various parts of our States without proper supervision or classification. Many of them are abandoned after a few years trial. Aside from the fact that their classes cannot be well graded or their teachers properly supervised, few of them provide proper vocational education or manual-training work for the deaf children who attend them; nor can there be the program of physical education, sports, medical attention, instruction, and character training easily possible in the residential schools. Out of the 19,000 deaf children in school in the United States in October 1934, fortunately only 2,000 are provided for in these scattered schools having 50 or less children in attendance. Deaf children should by no means be taught with the blind, cardiacs, or crippled children. They need particular methods of instruction and especially trained teachers under skilled supervision, as can be provided best in large schools such as the residential schools for the deaf.

It has been the policy of nearly every State in the Union during a number of years past to do away with small scattered schools for hearing children, to consolidate them into larger schools in which the children may be better housed, graded, and supervised, and in which their general progress may be much better watched over. This policy of abandoning the small, weak school and supporting more strongly the large and well-organized school should apply, in my opinion, to the education of the deaf as well as the education of the hearing.

I respectfully suggest, therefore, that the limit of 25 percent placed on the allocation of funds for the education of handicapped children in residential schools be not inserted in any legislation which you may adopt. It would seem more logical and more helpful to allocate to residential schools for the deaf at least 75 percent of funds appropriated, as nearly 77 percent of the deaf school children of the United States are taught in these schools most satisfactorily at the present time.

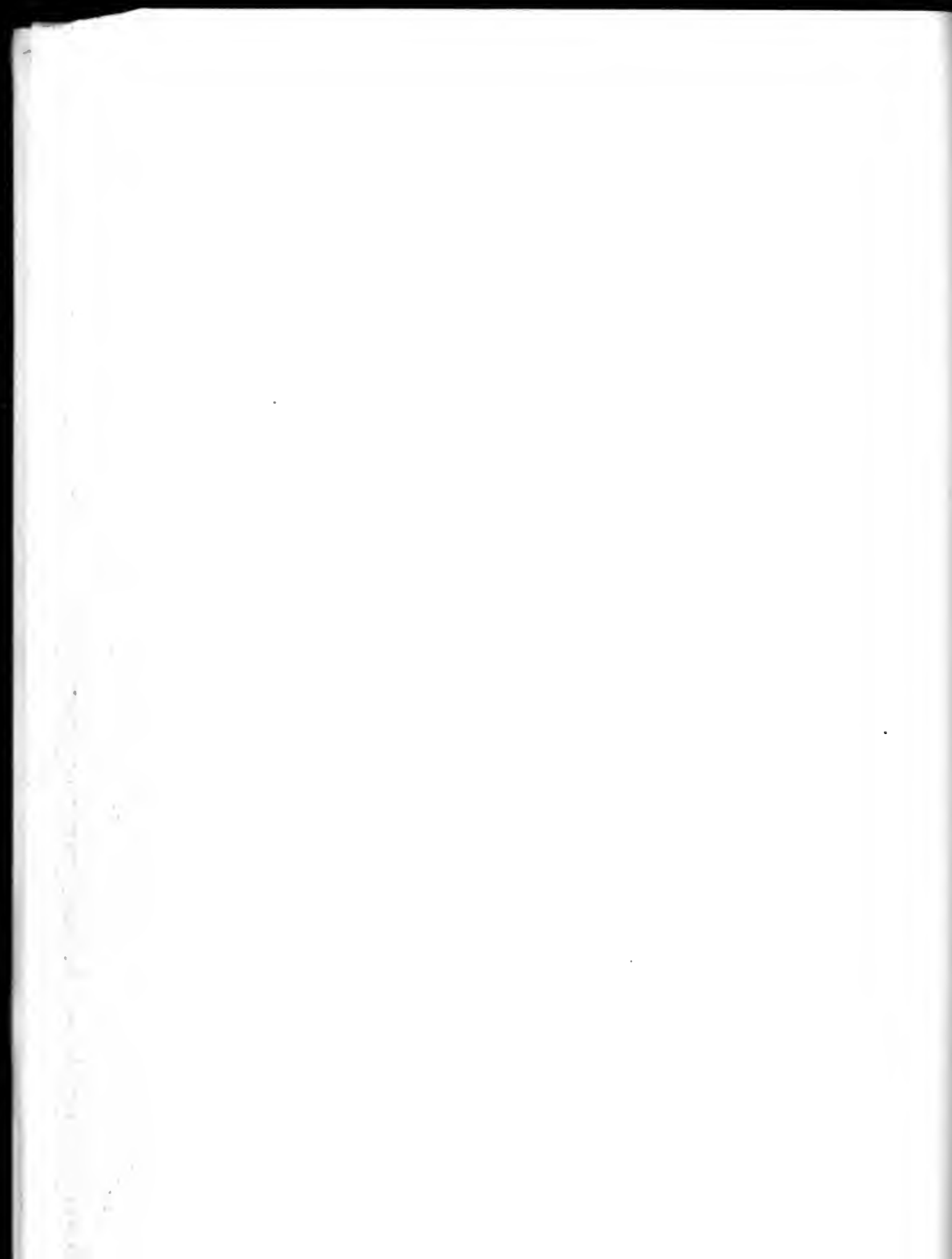
Respectfully yours,

PERCIVAL HALL,
Chairman, Executive Committee.

WASHINGTON, D. C.

The CHAIRMAN. The committee will recess now until 10 o'clock tomorrow morning.

(Whereupon, at 12 o'clock noon, the hearing was adjourned until Tuesday, Feb. 19, 1935, at 10 a. m.)



ECONOMIC SECURITY ACT

TUESDAY, FEBRUARY 19, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, at 10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The witness this morning is Mr. Herbert Benjamin of New York.

STATEMENT OF HERBERT BENJAMIN, NEW YORK CITY, REPRESENTING THE NATIONAL JOINT ACTION COMMITTEE FOR GENUINE SOCIAL INSURANCE

Mr. BENJAMIN. I am appearing in behalf of the National Joint Action Committee for Genuine Social Insurance. It is my purpose to show that there is not only a need but an organized broad mass movement for genuine social insurance. That the Wagner-Lewis so-called "social security bill" represents the administration's attempt to evade the obligation to provide such insurance. That the immediate and potential resources of the Nation make the provision of genuine social insurance feasible and practicable. And, that a genuine social insurance system must base itself on the principles of the workers' unemployment, old age, and social insurance bill which is now before Congress as H. R. 2827.

With your permission, I will file for the record a complete list of the organizations and groups in whose behalf we are privileged to speak with relation to the problem of unemployment and social insurance. Examination will show that this list includes several thousand of national, State, regional, and local units of a great variety of trade union, fraternal, farmers, professional, veterans, Negro, youth, women, political, cultural, civic, and other organizations. The one list includes a good many, though not all of the organizations, who, after a consideration of various social insurance measures, endorsed the workers' unemployment, old age, and social insurance bill as against all others. The second list enumerates the various organizations whose delegates participated in the national Congress for unemployment and social insurance which was held in Washington, D. C., on January 5, 6, and 7 of this year. The National Joint Action Committee and its officers were elected in this Congress which unanimously rejected all such measures as the Wagner-Lewis bill and with equal unanimity endorsed H. R. 2827, the workers unemployment, old-age, and social insurance bill.

The CHAIRMAN. Is that the Lundeen bill?

Mr. BENJAMIN. Yes sir. And with your permission, I may file for the record the list of organizations.

The CHAIRMAN. Yes.

Mr. BENJAMIN. When it is remembered that these endorsements were secured and this support rallied in the face of very bitter and vigorous opposition, and despite the many differences of policy and opinion which prevails as between the listed organizations on a great variety of other problems, the significance of this wide-spread support for the workers' bill can be more fully appreciated. This broad supporting movement for the workers' bill is proof of the fact that the great masses of producers are rapidly realizing that their very existence depends upon the establishment of a genuine system of unemployment and social insurance. It serves also to prove that as the masses become aware of this need they develop a capacity for the united action which is necessary in order to compel enactment of such a system of social insurance.

It is in behalf of the millions already associated with our united movement and in behalf of all who suffer from and are menaced by the effects of economic insecurity, that I appear before this committee. It is the sentiment and point of view of these millions that I express when I declare that we regard the Wagner-Lewis so-called "social-security bill" as not merely inadequate, but deliberately deceptive.

For years our every demand that the Government shall assume the obligation of providing unemployment and social insurance for those who are deprived of their means of livelihood through no fault of their own, has been met by a flat "No." The Wagner-Lewis bill is just another way of repeating that "No." Through the Wagner-Lewis bill, the Roosevelt administration declares just as the Hoover administration used to declare, that government as now constituted must concern itself with preserving the profits of a few rather than with preservation of the well-being of the overwhelming majority of the population. Because we hold that the Government should serve the millions of willing workers, farmers, and professionals of this country and not merely the 3 percent who now own and control the wealth of this country, we are fundamentally opposed to the intent and provisions of the Wagner-Lewis social-security bill.

It is sufficient to compare the provisions of this bill to the professed purpose of its sponsors to prove how entirely divorced this measure is from the actual needs of the great masses who suffer hunger, want, and destitution in consequence of economic hazards that are inherent in the present (capitalist) productive system.

In his various speeches and messages, President Roosevelt has more or less correctly formulated what should be the purpose of a social insurance or social security measure. In his message to Congress on June 8, 1934, he stated this most clearly when he declared that "the security of the home, the security of livelihood, and the security of social insurance are, it seems to me, a minimum of the promise that we can offer to the American people." In the light of the administrations proposed "social security" program we may well ask whether the President was merely advising his party colleagues on the kind of prelection promises they should make. Certainly the program submitted will not by any stretch of the imagination provide

When the masses demand social insurance they mean: First, assured income in an amount that will preserve living standards. Preferably the masses would have steady work for which they are fitted at a wage rate that will make possible the purchase of all necessities of life.

But the present system of production for profit rather than for use serves to deprive millions of the opportunity to work and thereby subjects all workers to the menace of unemployment.

Despite the fact that President Roosevelt chooses to "stand or fall by my refusal to accept mass unemployment as a permanent condition of our future", it is generally admitted that under the present system we are bound to have a permanent army of some 7,000,000 unemployed. This condition proceeds from the increasing disproportion between our expanding productive capacities and shrinking purchasing power. We will submit figures based on recent findings of the National Industrial Conference Board that graphically describe this process. These figures show that in October 1934 payrolls stood at 60 percent, employment at 78.6 percent, and output per man-hour at 129.5 percent as compared to the 1923-25 average. This means that for the sampling industries covered in the given survey, 61 workers are able to now produce as much as 100 did 10 years ago. Thus 39 percent are left unemployed or forced to seek employment in new occupations.

Under such conditions, the share of wealth which goes to the wage and salaried group who constitute the chief consumer group is constantly reduced. This serves to shrink the market at the very moment when productive capacity is increased. This very process also militates against the possibility for the masses in the low income group to accumulate some reserves for emergencies such as accident, sickness, old age, and so forth, likewise the life destroying speed-up which accompanies the constant intensification of the labor process, results in prematurely aging the workers and in the exclusion of the middle aged as well as those of advanced years from industry.

Finally, it must be borne in mind when designing a social-insurance program at this time, that all of these factors make for more prolonged and more frequent crises. It is a fallacy that amounts to actual deception to propose under such circumstances plans based on the accumulation of reserves. As a matter of fact, a recent study revealed that since 1790 this country has suffered 1 crisis year for every 1½ years of prosperity. Under such conditions it is manifestly impossible to meet the problem of unemployment by building up reserves during so-called "fat years" for the lean years. Certainly it cannot be done on the basis of a 3-percent tax on pay rolls.

This is the fundamental error of the Wagner-Lewis bill. And because it must be evident that no insurance against loss of income through unemployment can be provided by means of a reserve plan, we cannot regard these plans as mere errors of judgment. They must be recognized for what they are—deliberate attempts to deceive the masses and circumvent their demand for assured income.

As against these reserve plans, we propose and demand a system of unemployment and social insurance that draws funds not by taxing either directly or indirectly the meager wage income of the masses, but by taxing the huge, petrified income and wealth of the rich. We call your attention to the fact that the Government did not ask the

big corporations to build up a reserve fund before it would issue billions of dollars to these from the Reconstruction Finance Corporation. The Government drew upon the already available resources for that purpose. We demand that the Government shall do likewise for the masses who have produced this Nation's wealth.

Are there such resources? Could adequate funds be raised to pay for genuine social insurance? Our answer is both factual as well as rhetorical. We know that this is the richest country in the world. We know that if millions suffer hunger and want as they do, it is not because they are unwilling to apply their labor to the task of creating all that is necessary and can be created to provide the necessities and comforts of life.

Recently, however, we have also undertaken, with the help of competent economists, studies of immediately available sources of funds for adequate social insurance. Under the direction of Dr. Joseph Gillman, chairman of the research committee of the Inter-professional Association for Social Insurance, such a study produced the following findings:

First, if, in accordance with the provisions of the workers' bill, all incomes of \$5,000 a year and over were taxed at the same rate as now prevails in England, the Federal Government would increase its revenue from this source alone by more than five times. Thus, in 1928, 5¾ billion dollars could have been raised in this manner instead of the slightly more than one billion which was actually obtained. It should be pointed out in this connection that the rates of taxation in France and Germany are even higher in some brackets.

Secondly, corporation taxes in the United States are likewise extremely low. If, for example, a flat rate of 25 percent were imposed on all corporation earnings of \$5,000 per year and over, we could have raised in 1928, \$2,600,000,000 instead of the less than \$1,200,000,000 which was actually raised in this manner.

Thirdly, present taxation on inheritance and the transfer of estates by gifts is as low as 1 percent, on the average. In consequence of this, the total income for the State and Federal Governments from this source was in 1928 only \$42,000,000 on total transfers of \$3,500,000,000. Even on the basis of a flat 25-percent tax on such transfers—inheritance, gifts—the revenue in 1928 from this source could have been increased to \$888,000,000.

Fourthly, a seldom-mentioned but very important source of possible revenue would be a tax on now tax-exempt securities. This, it should be pointed out, is not a new source, since at one time there were no tax-exempt securities. By 1932 such securities were abroad in the amount of \$15,000,000,000. Since that time a tremendous increase has produced such securities in an amount which approximates \$28,000,000,000.

Finally, let us indicate one more neglected source of revenue. Legislators who unhesitatingly introduce sales taxes and other nuisance taxes upon the impoverished masses, choose to overlook the great accumulations of wealth that are listed as corporate surplus. The net corporate surplus in 1928 amounted to \$47,000,000,000. Even after 3 crisis years, in 1932 the total corporate surplus still amounted to over \$36,000,000,000. A corporate surplus represents undistributed wealth. It is from such surplus that corporations continue to pay dividends and high salaries long after the workers who produced

this wealth have been reduced to pauperism. Thus, while labor has lost 60 percent of its earnings since 1929, very little change has taken place insofar as interest charges and funded debt. There has been practically no change in the years of 1929 to 1932, and even in 1933 payments on this account were only 5 percent less than in 1929.

With your permission we will file for the record tables that show just how an unemployment and social-insurance program such as we need and demand could be financed by tapping these neglected sources of revenue. I might state here that this as well as other material has been more fully elaborated in the recently concluded hearings on H. R. 2827 before the Labor Subcommittee of the House of Representatives.

This committee would do well to turn its attention to the problem of reaching these sources of revenue. Until this has been done—until a tax rate such as prevails in England and other countries where labor has been able to exert greater pressure upon government is established—we refuse to accept excuses now offered by those who decry demands for adequate social insurance.

The sponsors of the Wagner-Lewis bill who go into hysterics when mention is made of proposals for genuine social insurance cry that it is impractical. It suits their purpose to bracket the Lundeen, workers' unemployment, old-age, and social-insurance bill, H. R. 2827, with such ridiculous concoctions as the Townsend plan. We say that there can be no comparison between our program and the program of Townsend, Huey Long, Father Coughlin, and the various other demagogues whose only purpose is to exploit the misery and discontent of the masses. On the contrary, there is greater affinity both in motive and in content between the Townsend plan and the administration's program.

Neither the Wagner-Lewis bill nor the Townsend plan can provide a practical system of social insurance. Both try to detract attention from what must be the source of funds—tax upon high income and wealth accumulations. Instead, both plans propose to impose new tax burdens upon the masses, even though these taxes when raised will not serve to provide the funds necessary for the accomplishment of their professed purpose.

The Townsend brain storm proposes a 10-percent sales tax to gladden the hearts of the rich. But even if such a monstrous tax were imposed and collected, and even if sales reached the 1929 level, the total proceeds would provide only \$50 a month, or one-fourth of the amount which the sponsor of this plan calls for.

Likewise, the Wagner-Lewis bill, which pretends to be a social-security measure, is in fact merely another revenue act. As the Secretary of Labor already admitted before this committee, there is nothing in the bill which would compel the Government to use a single penny of the funds raised by this act for social insurance or relief purposes. On the contrary, these funds will, according to this Cabinet member, be available for the building of more battleships and other war purposes.

Thus while pretending to provide social security this act helps promote further insecurity for the masses who are menaced by war as well as by hunger. By means of this act, the Federal Government sidesteps the demand for a Federal system to meet a Nation-wide problem and condition. Instead it passes the buck to the several

States. Moreover, it seeks to aid those forces in the various States who are fearful lest the masses compel enactment of more nearly adequate measures. The Wagner-Lewis bill lends Federal aid to those who declare that the unemployed must be excluded from all possible benefits. The Wagner-Lewis bill suggests a method whereby even those who are not otherwise excluded shall be compelled to wait until at least 1938 before they can hope to come under the doubtful safeguards which this plan would provide. In testimony before the House labor subcommittee, Dr. Harry Lurrie, the well-known social worker, pointed out that a sample study in the city of Dayton, Ohio, demonstrated that even if such a plan as the Wagner-Lewis bill had been in operation 5 years previous to the present crisis, less than 10 percent of those now unemployed would be eligible for any benefits whatever.

Those who show such great concern for the handful of multi-billionaires of this country, do not hesitate to suggest that the impoverished producers shall, when unemployed or handicapped by old age, be reduced to existence on a maximum of \$15 per week. Even this miserly amount is to be withheld until after a worker has been forced to exhaust such pitiful reserves as he may have during a 4-week waiting period. Then this bill proposes that after a maximum period of 15 weeks, the worker is to be set adrift or turned into a forced laborer on some so-called "public works project" at the less than subsistence rate of under \$50 per month.

We will not attempt to detail all the many other obnoxious features of this so-called "social-security bill." We do wish to inform this committee that the masses are not to be fooled by such a hideous caricature of a social-insurance program. For proof of this we refer you to the records of the hearings before the labor subcommittee on H. R. 2827. Nearly 70 witnesses appeared in these hearings. They came from all parts of the country, from practically every important industry, workers, farmers, professionals, veterans, Negro, and white, men, women, and youths. Their testimony will show that they are doing serious thinking about the problems with which they are faced. Congress will do well to realize that the masses who are held in contempt by the self-anointed leaders and self-styled statesmen, are learning from the bitter experiences of these more than 5 years. They are learning to think, to see through the ballyhoo and penetrate through the organized campaign of silence and censorship which is directed against all plans and programs that make a serious practical attempt to end the present insupportable conditions. They may lack academic training, but they have that good common sense which Mr. Hearst and others like him, consider merely the special attribute of those Americans who know how to steal and cheat and exploit and thereby amass millions of unearned wealth. They have the aid and support of the trained technicians who along with the entire productive population face hunger, destitution, and destruction in a land of plenty. Some can still be led astray and deceived for a time with such panaceas as the Townsend plan. But we who are close to the masses know that the Townsend plan is by no means as widely supported as the press would have us believe. The movement behind the Townsend plan is as unsound as is the plan.

The movement for genuine social insurance rests upon the rock

The trade unions, whose membership is sweeping aside even the opposition of their official leaders; the fraternal organizations, whose membership is originally attracted by reason of the need for a form of mutual aid in sickness and in death, but who now find that the very crisis which produces the need for protection against loss of income, serves to destroy the effectiveness of the organizations they established for such an eventuality; the veterans, who see the same forces opposing their demand for social insurance as stand opposed to their demand for immediate payment of their deferred wages, the so-called "bonus"; the Negro masses, who see that they are excluded and discriminated against in the administration's so-called "social security program" even as they were discriminated against in every other measure adopted by the present and past administrations; the professional, the domestic workers, the farmers, the self-employed persons who are rapidly sinking into the ranks of the pauperized mass; these are the forces who constitute the movement for genuine unemployment and social insurance.

Of their spokesmen who testified in the hearings before the labor subcommittee of the House, not a single one uttered a word of approval for either the Townsend plan or the equally impractical and deceptive Wagner-Lewis bill. Each explained what kind of social insurance they, as experts on their own needs and the needs of their fellow workers, require and demand.

Since it would be impossible to offer amendments to a bill which is deliberately designed to evade and defeat the demand for social insurance, we will not attempt to offer amendments to the spurious social security bill which is before this committee. Instead we wish in conclusion to outline briefly the principles that must be incorporated in a social insurance measure that corresponds to present conditions, needs, and demands of the masses.

A genuine unemployment and social insurance program must be designed to safeguard the masses against any lowering of the living standards. It must serve to increase purchasing power, stimulate productivity in the interest of a higher living standard and lead to the necessary redistribution of wealth that is now withheld from circulation.

Therefore, compensation must be at least equal to the average wages which workers could earn if permitted to work in their own normal occupation and locality. It must in no case be permitted to fall below a fixed minimum health and decency level.

Such compensation can and must be provided by and only at the expense of the Government and employers. No contribution in any direct or indirect form should be levied upon workers and other low-income groups.

All workers, regardless of age, occupation, color, sex, nationality, citizenship, religious or political belief, must be assured such compensation for all time lost because of involuntary unemployment, old age, industrial accident, or sickness and maternity.

Representatives directly elected by the workers themselves should administer the social insurance system so that it will be operated in accordance with their interests, conditions, and needs.

These principles are not arbitrarily posed. They are the product of several years of exhaustive discussion around the problem. They do not represent a utopia. They represent a practical program

developed out of the needs and experiences of the great masses who suffer and face the hazards inherent in the present system. They are not developed for an ideal society. They are developed to meet conditions created by present day society and are consistent with the present economic resources of the country. They will not provide security. There can be no real security under the present system. But such a system will provide compensation for insecurity at the expense of those who profit from the system which creates insecurity.

With the help of competent statisticians and economists we have studied the possible cost of such a system of unemployment and social insurance. In making such studies we have kept in mind the fact that the cost will not be greater than that which we workers are now forced to pay for conditions beyond our control for which we are not responsible. We feel no need to offer any apologies for the possible cost involved in the establishment of safeguards for the welfare and very existence of the great masses who are the majority of the population. We have no desire to minimize this cost. We, the wage and salary workers of this country have lost 60 billions of dollars in income since 1929. No one has yet made apologies or amend to us.

But in ascertaining the cost, we have established that it will represent a fanciful and unrealizable figure. Taking into consideration the fact that money paid out as compensation for unemployment, and so forth, would be converted into increased purchasing power and would thus be converted into a means for increasing production and unemployment, our estimate shows that the total cost of social insurance such as we propose would be on the basis of 10 million unemployed, \$7,436,000,000. A complete statement on this, together with tables showing how these figures are arrived at, is available and with your permission we can file this for the record.

Since we cannot amend the utterly insupportable Wagner-Lewis bill, we call upon this committee to reject it and recommend for immediate enactment, the workers' unemployment, old age, and social insurance bill which is the only measure now before Congress that incorporates the principles essential to a genuine unemployment and social insurance measure. We ask you to frame and recommend the adoption of a companion bill to H. R. 2827.

With the permission of the committee, I would be glad to file the tables that I have referred to with regard to the sources of funds, with regard to the cost.

The CHAIRMAN. They may be filed.

Mr. BENJAMIN. And if the committee desires, I am in a position also to file for your information a brief on the constitutionality of the workers' unemployment and social insurance act which has been prepared by the international juridical association.

The CHAIRMAN. Give a copy of that to the clerk so that the committee may have it.

Senator BLACK. I would like to find out if the figures you gave in there with reference to incomes, and so forth, do you give us the references there to the sources from which you are paid—that is, the Nation?

Mr. BENJAMIN. Yes, sir; we are giving you herewith both an analysis of that and the tables as such on the basis of which these figures

Senator BLACK. I think I had a letter from you or from someone stating in reference to a question I asked on the stand a few days ago as to the part of the national income which went to wages and other sources. Someone wrote me a letter and said they had those figures taken from a census report. Are you the one that wrote that letter?

Mr. BENJAMIN. I cannot say that I am.

Senator BLACK. Have you those figures?

Mr. BENJAMIN. I have figures here that show what the total income of the Nation has been and what the total loss has been in income and what share of that loss has been suffered by the workers.

Senator BLACK. The question I had asked was the amount that went to labor from the incomes in value of the manufactured articles. Someone wrote me a letter and said that they had those figures taken from the census. You do not have them?

Mr. BENJAMIN. No, sir. We have figures here that indicate, and on that basis we have estimated the possible amount of reemployment that would be developed by the payment of unemployment and social insurance. We find that 60 percent of the total of purchasing power goes back into wages, and in that sense we find a distribution of the income as of 60 percent.

(The matters referred to by Mr. Benjamin in his testimony are as follows:)

THOUSANDS OF ENDORSEMENTS

We publish below for the first time, the most complete available list of organizations and other bodies who have formally endorsed the workers unemployment and social insurance bill.

Imposing as this list is, it nevertheless includes only such organizations and bodies as have made known their action to either the National Unemployment Council, the A. F. of L. Rank and File Committee for Unemployment Insurance and the Fraternal Federation for Social Insurance. Undoubtedly hundreds and perhaps thousands of additional organizations have taken similar action in support of genuine social insurance but have failed to notify any of the bodies that have been conducting the campaign for the workers' bill.

Of the greatest significance and importance is the extensive list of trade-union organizations and locals. These as well as many of the other organizations lent their endorsement in the face of the bitter opposition of the official national leaders of the American Federation of Labor and other spokesmen for such inadequate measures as the Wagner-Lewis bill. These endorsements therefore represent the considered and firm conviction of millions of men and women of every industry and occupation in every part of the country who have learned to discriminate between spurious and genuine unemployment and social insurance plans.

We print this list at this time because it can be of great help to the committees and groups in all cities in the effort to secure delegates to the National Congress and in every struggle for unemployment and social insurance. We also take this occasion to urge all the listed organizations to follow up their endorsement by joining in the necessary united effort to compel favorable action by the Seventy-fourth Congress.

CITY COUNCILS, COUNTY, AND MUNICIPAL BODIES

Connecticut: City council, Bridgeport.

Idaho: City council, Coeur d'Alene.

Illinois: City councils, Belleville, Benald, Casey, Caseyville, Collinsville, Tarvey, Midlothian, Norwood Oak, Rockford, Thayer, Virden, and Ziegler.

Iowa: County Board of Des Moines.

Kentucky: County board, Covington.

Maine: County board supervisors, St. George.

Michigan: City councils, Caspian, Platt, Sault Ste. Marie, board of supervisors, Baraga County, advisory board district council of Detroit City Commission, Salt Ste. Marie.

Minnesota: City councils, Eveleth, Hibbing, Minneapolis, Rochester and White City Fire Department, Eveleth.
 Missouri: City council, St. Louis.
 Montana: City council, Great Falls.
 Nebraska: Douglas County Board, Omaha.
 New Jersey: City councils, Bayonne Clifton, Garfield, Linden.
 New York: City council, Buffalo.
 Ohio: City councils, Bedford, Brooklyn Village, Canton, Landale, and Toledo.
 Oklahoma: Montgomery County commissioners, city council, Cushing.
 Oregon: City councils, Klamath Falls and Portland.
 Pennsylvania: Town councils, Freedom Boro, Sonway, Defience, Dudely, Longandale, city councils, Allentown, Anrold and Conway, Dickson City, Forest Hills, Glassport, Swissvale and Wilkensburg, school board of Challfont Boro.
 Washington: City councils, Aberdeen, Tacoma.
 Wisconsin: City councils, Cudahy, Racine, Milwaukee, Superior, West Allis, Lake.

VETERANS ORGANIZATIONS

Italian Ex-Servicemen's League, Bridgeport, Conn.; Veterans' National Rank and File Committee, District of Columbia; American Legion post, Chicago, Ill.; 3 American Legion posts, Schenectady, 4 American Legion posts, Long Island, Big Six Post Veterans of Foreign Wars, New York, Workers Ex-Servicemen's League, New York, Daily News American Legion Post, United States War Veterans, Manhattan Camp 1, United States War Veterans, George R. Tilly Camp 66, United States War Veterans, Roosevelt Camp 10, United States War Veterans, Abraham Lincoln Auxiliary 54, New York City, N. Y.; American Legion post, Glassport, Pa.; American Legion posts, West Virginia.

INTERNATIONAL UNIONS

Iron, Steel, and Tin Workers, Amalgamated Association.
 Mine, Mill, and Smelter Workers, International Union.
 American Federation of Full Fashioned Hosiery Workers.
 Moulders' Union of North America.
 Textile Workers of America, United.

STATE FEDERATIONS OF LABOR

State Federation of Labor, Arkansas.
 State Federation of Labor, Colorado.
 State Federation of Labor, Iowa.
 State Federation of Labor, Montana.
 State Federation of Labor, Nebraska.
 State Federation of Labor, Rhode Island.

CENTRAL LABOR UNIONS

San Diego Federated Trades and Labor Council, San Diego, Calif.
 Central Labor Union, Danbury, Conn.
 Central Labor Union, Gibson County, Ind.
 Trades Labor Assembly, Sioux City, Iowa.
 Federation of Labor, Kalamazoo, Mich.
 Central Labor Union, Minneapolis, Minn.
 Central Labor Union, St. Louis, Mo.
 Building Trades Council, Great Falls, Mont.
 Cascade Trades and Labor Assembly, Great Falls, Mont.
 Central Labor Union, Grand Island, Nebr.
 Central Labor Union, Lincoln, Nebr.
 Central Labor Body, Atlantic City.
 Central Labor Union, Newark.
 Essex Trades Councils, Newark, Essex, N. J.
 Central Labor Union, Albuquerque, N. Mex.
 Central Labor Union, Jamestown, N. Y.
 District Council of Queens and Nassau Counties, N. Y.
 Trades Assembly, Schenectady, N. Y.
 Bradford Trades Assembly, Bradford, Pa.
 Federation of Labor, Hazelwood, Pa.
 Central Labor Council, Pittsburgh District, Pa.

Central Labor Union of Jeanette, Pa.
 Central Labor Union of New Kensington.
 Federated Trades Council, Reading, Pa.
 Federated Labor Union, Providence, R. I.
 Building Trades Council, Providence, R. I.
 Federation of Labor, Salt Lake City, Utah.
 Central Labor Union, Spokane, Wash.
 Trades Labor Council, Racine, Wis.

LOCAL UNIONS

Asbestos Workers, International Association of Heat and Frost Insulators

Local 31, Providence, R. I.

Barbers' International Union, Journeymen

Locals: 175, Danbury, 72, Norwalk, Conn.; Belleville, Ill.; 182, Boston, Mass.; 913, Brooklyn, N. Y.; 2, Philadelphia, Pa.; Salt Lake City, Utah.

Bakery and Confectionery Workers' International Union of America

Locals: 125 Berkeley, 43 Fresno, 24 San Francisco, Calif.; 62, 237, 2, 49 Chicago, Ill.; 190 Metuchen, N. J.; 79, 164 New York City, 14 Rochester, N. Y.; 39, 334 Cleveland, 177 Youngstown, Ohio; 45 Boston, Mass.; 204 Pittsburgh, Pa.; 122 Providence, R. I.; 473 Bellingham, Wash.

International Alliance of Bill Posters and Billers of America

Local: 49 Seattle, Wash.

International Brotherhood of Blacksmiths, Drop Forgers and Helpers

Locals: 303 Butte, Mont.; 77 Milwaukee, Wis.

International Brotherhood of Boiler Makers, Iron Ship Builders and Helpers of America

Locals: 244 Sioux City, Iowa; 81 Readville, Mass.; 104 Seattle, Wash.; 249 Huntingdon, W. Va.

International Union, Brewery, Flour, Cereal, and Soft Drink Workers of America

Locals: Butte, Great Falls, Mont.; Tacoma, Wash.; Newark, N. J.

Bricklayers, Mason and Plasterers International Union of America

Locals: Baltimore, Md.; 2 Detroit, Mich.; 19 St. Louis, Mo.; Brooklyn, 3 locals in New York, N. Y.; 18 Cincinnati, Ohio; 3 Philadelphia, Pa.; Providence, R. I.; 2 locals, Oshkosh, Wis.; 8 Milwaukee, Wis.; 5 Huntingdon, W. Va.

Building Service Employees' International Union

Locals: 1077 New York, N. Y.; 125 Providence, R. I.

Bridge and Structural Iron Workers International Association

Locals: 420 Reading, Pa.; 2416 Portland, Oreg.; 350 Atlantic City, N. J.

Carmen of America, Brotherhood Railway

Locals: 227 Chicago, Ill. and 210; 23 Princeton, Ind.; 2031, 266 Sioux City, Iowa; 56 Atchison, Kans.; 431 Bay City, 1054 Detroit, 641 Port Huron, Mich.; 299 Minneapolis, Minn.; 628 Providence, R. I.; 823, 1085 New York, N. Y.; 698 Spokane, Wash.

International Wood Carvers' Association of North America

Locals: Philadelphia, Pa.; Chicago, Ill.; New York.

National Federation of Post Office Clerks

Local: 10 New York, N. Y.

Retail Clerks' International Protective Association

Local: 753 Philadelphia, Pa.; Butte, Mont.

Cigarmakers' International Union of America

Locals: 225 Salt Lake City, Utah; 14 Chicago, Ill.

Coopers' International Union of North America

Local: 9 Philadelphia, Pa.; 54 Detroit, Mich.

United Brotherhood of Carpenters and Joiners of America

District councils: Carpenters District Council, Kansas City, Mo. 29th Annual Convention, N. J. State Council of Carpenters, Newark, N. J.

Locals: 1687 Montgomery, Ala.; 1089 Phoenix, Ariz.; 891 Hot Springs, Ark.; 210 Stamford, Conn.; 132 District of Columbia; 352 Anderson, 1953 Greencastle, 487 Linton, Ind.; 523 Keokuk, 948 Sioux City, Iowa; 1784, 416, 419, 13, 58, 62, 181, 504 Chicago, 896 Crystal Lake, 1366 Quincy, 16 Belleville-Springfield, Ill.; 720 Auburn, 11, 56, 157 Boston, 297 Brockton, Mass.; 116 Bay City, 337 Detroit, 1299 Iron River, 1199 Pontiac, Mich.; 361 Duluth, 7, 1865 Minneapolis, 87 St. Paul, Minn.; 1329 Independence, Mos.; 286 Great Falls, Mont.; 2237 Bayonne, 349 East Orange, 119, 1782 Newark, 299 Union City, N. J.; 2717 Brooklyn, 2372 Garnersville, 66 Jamestown, 2090, 2163 New York City, 163 Peekskill, 1115 Pleasantville, 203 Poughkeepsie, 1660 Raymondsville, 188 Yonkers, N. Y.; 224 Cincinnati, 1180, 2159 Cleveland, 735 Mansfield, 186 Steubenville, Ohio; 226, 2218, 2154 Portland, 1065 Salem, Oreg.; 2008 Ponca City, Okla.; 59 Lancaster, 207 Chester, 122, 277, 1050, 1051, 1073, 1856, 2194 Philadelphia, Pa.; 1695 Cranston, 810 Kingston, R. I.; 2016 Eastland, 1666 Kingsville, Tex.; 1984 Magna, Utah; 317 Aberdeen, 562 Everett, 1184, 1335 Seattle, 84, 98 Spokane, Tacoma, Wash.; 161 Kenosha, 2244 Little Chuta, 849 Manatowoc, 1503, 2073 Milwaukee, 460 Wausau, Wis.; 1620 Rocksprings, 1241 Thermopolis, Wyo.

Amalgamated Clothing Workers of America

Joint Council St. Louis, Mo.; Joint Board of Philadelphia, Pa.

Locals: 1 Boston, Mass.; 4 New York, N. Y.; 75 Philadelphia, Pa.; 38 Chicago, Ill.

Draftsman's Union, International Federation of Technical Engineers, Architects
Local: 54 Milwaukee, Wis.

International Brotherhood of Electrical Workers of America

Locals: 82 Los Angeles, Calif.; 122 Great Falls, Mont.; 292 Minneapolis, Minn.; 31 Brooklyn, N. Y.; 623 New York City; 65 Butte, Mont.; 48 Sioux City, Iowa.

International Union of Operating Engineers

Locals: Sioux City, Iowa; 5 Detroit, Mich.; 34 Minneapolis, Minn.; 48 Los Angeles, Calif.; 3 Brooklyn, N. Y.; 506, 506a, 835 Philadelphia, Pa.; 37 Providence, R. I.; 83 Spokane, Wash.

International Engravers Union of North America

Local: 5 Chicago, Ill.

Federal unions

Ice and Cold Storage Workers, 16918 Centralia, Casket Makers, 19306 Chicago, Ill.; Automobile Workers, United, Federal Labor, 18677 Detroit, Tersted Local of United Auto Workers Union, Detroit, Buick Local A. F. of L., Flint, Mich.; Federal Local 19253 Great Falls, Mont.; Dental Laboratory Technicians, 18405 St. Louis, Mo.; Federal Labor Union, 19128 Lincoln, Nebr.; Aeronautical Workers, Federal Labor, 18286 Buffalo, N. Y.; Midvale Steel Federal Union, Philadelphia, Brass Bobbin Winders, 14659 Philadelphia, Brass Bobbin Winders, Philadelphia Radio Electric England Local 10332 Philadelphia, Pa. At

bile Workers, United Federal Labor, 18614 Cleveland, Ohio; Federal Labor, Providence, R. I.; Federal Labor Union, 19155 Breckinridge, Tex.; Sawmill, 19515 Huntington, Chemical Workers, 18634 Huntington, W. Va.; Federal Labor (Vincent McCall), 18846 Kenosha, Simmons Bed Federated Union, 18456 Kenosha, Federal Labor, 18546 Milwaukee, Wis.

International Association of Fire Fighters

Locals: 37 Chicago, Ill.; 301 Burlington, Iowa; 96 Butte, Mont.; 287 Long Beach, Long Island, N. Y.

International Brotherhood of Firemen and Oilers

Locals: 32 Detroit, Mich.; 13 Spokane, Wash.

International Fur Workers' Union of United States & Canada

Local: 3 Brooklyn, N. Y.

International Ladies' Garment Workers' Union

Locals: 65, 64 Los Angeles, Calif.; 64 Chicago, Ill.; 20, 22, 66 New York, N. Y.

United Garment Workers of America

Locals: 75 Philadelphia, Pa.; 27 Minneapolis, Minn.

Window Glass Cutters' League of America

Local: 528 New York, N. Y.

American Flint Glass Workers' Union

Locals: 93 Chicago, Ill.; 2 Glassport, Pa.

International Glove Workers' Unions of America

Local: 69 Gloversville, N. Y.

Granite Cutters' International Association of America

Locals: Concord, Penacock, N. H.; Barre, Vt.

United Hatters, Cap and Millinery Workers International Union

Locals: 10 Danbury, Conn.; 8 New York, N. Y.; 6 Philadelphia, Pa.

International Hod Carriers, Building & Common Laborers' Union of America

Locals: 591 Santa Barbara, 270 San Jose, Calif.; Bridgeport, Conn.; 455 New Haven, 524 Norwich, 499 Stamford, Conn.; Belleville, Centralia, Zeigler, Ill.; Princeton, Ind.; Waltham, 210 Worcester, Mass.; 563 Minneapolis, Minn.; 150 Butte, 278 Great Falls, 187 Missoula, Mont.; 690 Newark, 31 Union City, N. J.; 141 Port Chester, 435 Rochester, N. Y.; 173 Pittsburgh, Pa.; 271 Providence, R. I.; 242 Seattle, Spokane, Wash.

Hotel and Restaurant Employees and Beverage Dispensers' International Alliance

Locals: 94 San Francisco, 271 Petaluna, Calif.; 781 Washington, D. C.; 733 Detroit, Mich.; 34 Minneapolis, Minn.; 109 Newark, 508 Atlantic City, N. J.; 325, 2 Brooklyn, N. Y.; 72 Cincinnati, Ohio; 659 Dallas, Tex.

Amalgamated Association of Iron, Steel, and Tin Workers

Locals: 709 New Britain, Conn.; 184 Sioux City, Iowa; Sparrows Point, Md.; 410 Great Falls, Mont.; 149 Clairton, Pa.; Ellwood City, 169 Ellwood City, 68, 67 Johnstown, Pa.; 37 Providence, R. I.; 1 Follansbee, W. Va.

Jewelry Workers Union International

Locals: 2 Newark, N. J.; 1, 21 New York.

International Union of Wood, Wire, and Metal Lathers

Locals: 305 Great Falls, Mont.; 113 Sioux Falls, Iowa; 455 Lake Worth, Fla.

Laundry Workers' International Union

Local: 108 St. Louis, Mo.

United International Union Leather Workers

Locals: New York, N. Y.; Chelsea, Mass.; 52 Philadelphia, Pa.

Lithographers' International Protective and Beneficial Association of the United States and Canada

Local: 5 St. Louis, Mo.

Longshoremen's International Association, Pacific Coast Convention

Locals: 38, 12 Seattle, Wash.

Machinists International Association of Convention of International Association of All Machinists of New England, Boston, Mass.

Locals: 84 Berwyn, 234, 83, 337, 915 Chicago, 390 Park Ridge, Ill.; 178 Sioux City, Iowa; 404 Baltimore, Md.; 64 Massachusetts; 1122 Detroit, Mich.; 459 St. Paul, Minn.; Concord, N. H.; 816 Hokoken, N. J.; 447, 402, 226 New York, 417 Staten Island, N. Y.; 162, 729 Cincinnati, 439 Cleveland, 203 Akron, 404 Youngstown, Ohio; 187 Sharpsville, Pa.; 119 Newport, 110 Newport, R. I.; 79 Seattle, Wash.; 57 Huntington, W. Va.; 116 Milwaukee, Wis.

International Association of Marble, Slate, and Stone Polishers, Rubbers and Sawyers, Tile and Marble Setters, Helpers and Terrazzo Helpers

Locals: 62 Philadelphia, Pa.; 8 Providence, R. I.; 47 Milwaukee, Wis.

Amalgamated Meat Cutters & Butcher Workmen of North America

Locals: 333 Butte, Mont.; 545 St. Louis, Mo.; 18, 174 New York, N. Y.; 110 Philadelphia, Pa.

Brotherhood of Maintenance of Way Employees

Locals: 1077 New York, N. Y.; Sioux City, Iowa.

Sheet Metal Workers' International Association

Locals: 2 Stockton, Calif.; 615 Buffalo, 137 New York, N. Y.; 329 Salisbury, N. C.; 37 Providence, R. I.; 446 Great Falls, Mont.

International Union of Mine, Mill, Smelter Workers

Local: Bessemer, Ala.; Eveleth, Minn.; 3 Bingham, Utah; Spelter, W. Va.; 125 Iron River, Mich.; 1636 Kansas City, Mo.; Salt Lake City, Utah.

United Mine Workers of America

Locals: 3664 Auburn, 3543 Benton, 52, 1397 Centralia, Glen Ridge, 3644 Gillespie, 2840 Middlegrove, 2109 Nashville, 721 Pana, 2403 Springfield, 720 Staunton, 691 Troy, 5599 Westville, Ill.; 6303 Bicknell, 5584 Princeton, Ind.; 13 Des Moines, 916 Hitema, Iowa; 191 South Hibbling, Minn.; 1 Butte, Mont.; 4472 Glen Robins, 5497 Powhatan, Ohio; 1451 Connerton, 2399 Dairytown, 4439 Fayette, 494 Homer City, 1560 Lost Creek, 807 Maple Hill, 2587 Raven Tun 1545 Tortsy Fort, 5383, 3506 Renton, 1398 Shaft, 2611, 113, 2346, 1509, 1414, 1443, 1685, 6109, 1467 Shenandoah, Three Locals Westmoreland, Six Mile Run, 4439 South Brownsville, 458 Swoyersville, Pa.; 6147 Besoco, 6107 Killarney, 6106 Meade, 2980 Pimberton, W. Va.; Ladies Auxialiry 920, Pittsburgh, Ladies Auxiliary 762 Pittsburgh, Pa.

International Molders' Union of North America

Locals: 161 Stamford, Conn.; 182 Belleville, 275 Chicago, 153 Hazelcrest, Ill.; 24 Baltimore, Md.; 388 Kalamazoo, Mich.; Anaconda, Mont.; 84 Buffalo, 78 Watertown, N. Y.; 27 Cleveland, Ohio; Cheltenham, Philadelphia, 111 Philadelphia, 348 Reading, Pa.; 171 Port Orchard, 158 Seattle, 338 Spokane, Wash.

American Federation of Musicians

Locals: 403 Willimantic, Conn.; 219 Stanton, Ill.; 24 Akron, Ohio; 362 Huntington, W. Va.

Oil Field, Gas Well and Refinery Workers of America

Chemical and Oil Workers Union, Oakland, Calif.; Local 210 Hammond, Ind.

Brotherhood of Painters, Paperhangers and Decorators of America

District councils: Painters District Council 46, Los Angeles, Painters District Council, San Francisco, Calif.; District Council-Advisory Bd. Painters Bro., Detroit, Semiannual Conference Mich. State Painters, Lansing, Mich.; Painters District Council Kansas City, Mo.; Painters District Council, Newark, N. J.; Painters District Council 21, Philadelphia.

Locals: 713, 449 Glendale, 235, 5 Hollywood, 1346 Inglewood, 256 Long Beach, 1065, 92, 1345, 1348, 51, 202, 1345, 51, 831, 792, 644, 511, 636, 202, 1348, 1063 Los Angeles, 92 Montrose, 1147 Roseville, 315 San Jose, 821 Venice, 441 Whittier, 949 Wilmington, Calif.; 930 Denver, Colo.; 190 Bridgeport, 1276 Westport, Conn.; 368 Washington, D. C.; 1088 Dayton Beach, 1321 Clearwater, 1175 Coral Gables, Fla.; 193 Atlanta, Ga.; Belleville, 627, 275, 294, 637 Chicago, 863 Lake Forest, 460 Hammond, Ill.; 1215 Boone, Iowa; 277 Atlantic City, 653 East Rutherford, 997, 426 Haddon Heights, 705 Irvington, 777 Newark, 174, 140 Passaic, 144 Perth Amboy, N. J.; 201 Albany, 442 Brooklyn, 504 Flushing, Long Island, 822 Glen Cove, 721 Islip, 498 Jamestown, 121 Long Island City, 848, 892, 499, 997, 1101, 905, 261 New York City, 707 Oneida, 1035 Richmond Hill, Long Island, 795 Rockaway Beach, Long Island, 1134 Rockville Center, N. Y.; 229 Kansas City, Kans.; 1244 New Orleans, La.; 623 Chelsea, 258 Boston, Mass.; 675 Dearborn, 42, 357, 591, 37, 552 Detroit, Mich.; 9 Kansas City, Mo.; 1086, 386 Minneapolis, 681 Rochester, 540 Winona, Minn.; 720 Butte, 260 Great Falls, Mont.; 50, 308, 866, 531 Cincinnati, 765, 867, 128 Cleveland, 1103 Mentor, 546 Toledo, Ohio; 443 Okmulgee, 935 Tulsa, Okla.; 788 Sandusky, 438 Steubenville, 476 Youngstown, Ohio; 751 Gibsonsia, 1114 Danesville, 380 Lancaster, 887 Oil City, 306, 997, 703, 632 Philadelphia, 479, 282, 6, 84 Pittsburgh, Pa.; 15 Central Falls, 195, 692 Providence, R. I.; 586 Spartanburg, S. C.; 965 Jackson City, Tenn.; 123 Gilman, Vt.; 743 Olympia, 1220 Tacoma, 1114 Janesville, Wash.

Pattern Makers League

Local: Detroit, Mich.

Paper Plate and Bag Makers

Local: 107 New York City, N. Y.

Paving Cutters Union of the United States of America and Canada

Locals: Clark Island, 108 Tenants Harbor, 9 Thomaston, Maine; 43 Woodstock, Md.; 53 Rockport, Mass.; Concord, N. H.

Plasterers International Association of the United States and Canada United

Locals: 87 Montgomery, Ala.; 343 Long Beach, 460 San Francisco, Calif.; 32 Denver, Colo.; Bloomington, Ill.; 155 Baltimore, Md.; 65 Minneapolis, Minn.; Omaha, Nebr.; 60 New York, N. Y.; 1 Cincinnati, 7 Toledo, 179 Youngstown, 214 Hamilton, Ohio; 40 Providence, 182 Franklin, R. I.; 31 Pittsburgh, Pa.; 746 Mount Vernon, 77 Seattle, Wash.; 110 Great Falls, Mont.; 428 Racine, Wis.; 352 Ovel, Wyo.

United Association of Plumbers and Steam Fitters of the United States and Canada

Locals: 230 San Diego, Calif.; 18 Sioux City, Iowa; 64 Northampton, Mass.; 98 Detroit, Mich.; 41 Butte, 139 Great Falls, Mont.; 1 Brooklyn, 206 Elmira, N. Y.; 98 Cleveland, 108 Hamilton, Ohio; 42 Reading, Pa.; 476, 29 Providence, R. I.; 504 Beaumont, Tex.; 608 West Allis, Wis.

International Union Metal Polishers

Locals: 6, 277 Chicago, Ill.

Printing Pressmen's and Assistants' Union of North America

Locals: 140 San Diego, Calif.; 147 Wichita, Kans.; 3, 4 Chicago, Ill.; 196 New Brunswick, N. J.; 23 New York City, N. Y.

International Brotherhood of Pulp, Sulphite, and Paper Mill Workers of the U. S. and Canada

Locals: 37 East Millinocket, 27 Woodland, Maine.

United Textile Workers' of America—Plush Weave

Local: 471 Philadelphia, Pa.

Quarry Workers, International Union of North America

Locals: 82 Rockport, 81 Lanesville, Mass.

Railway Brotherhood, Order of Railway Conductors of America

Local: 55 Port Jervis, N. Y.

Brotherhood of Railroad Trainmen

Local: Milwaukee, Wis.

Brotherhood of Locomotive Engineers

Delegates from 150 divisions of locomotive engineers, Kansas City, Mo.; locals: 405 Milwaukee, Wis.; West Virginia.

Brotherhood of Locomotive Firemen and Enginemen

Locals: 23 Jersey City, N. J.; 183 Cleveland, Ohio; Montivedo, Minn.; 1 Port Jervis, N. Y.

Order of Railway Conductors of America

Locals: 69 El Paso, Tex.; 1 Oak Park, Ill.; 698 Chicago, 227 Chicago, Ill.

United Slate, Tile, and Composition Roofers, Dam and Waterproof Workers' Association

Locals: 80 Great Falls, Mont.; 4 Newark, N. J.

International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators of the United States and Canada

Locals: 130 Altoona, Pa.; 361 Kenosha, Wis.; 475 Eau Clair, Wis.; 598 Marion, Ohio; 644 New York, N. Y.; 3 in Sioux City, Iowa; 150 Los Angeles, Calif.; 306 New York, N. Y.; 223 Providence, R. I.; 460 Racine, Wis.; International Alliance of Projectionists, New York, N. Y.

International Stereotypers' and Electrotypers' Union of North America

Locals: 8 East St. Louis, Ill.; 114, 15 Dayton, Ohio.

Journeyman Stonecutters' Association of North America

Locals: Akron, Ohio; Concord, N. H.

Switchmen's Union of North America

Locals: 240 Liberia, Kans.; 291 Paducah, Ky.

International Typographical Union

131 Elmhurst, Long Island; 6 New York, N. Y.; 499 Okmulgee, Okla.; 62 Toledo, 2 in Toledo, Ohio; 242 York, Pa.; 43 Charleston, S. C.; 202 Seattle, Wash.; Daily News Chapel, New York City, N. Y.

Journeyman Tailors' Union of America

Locals: Youngstown, Ohio; 46 Buffalo, N. Y.; 131 Pittsburgh, 323 Bethlehem, Pa.; 106 Spokane, Wash.; 86 Milwaukee, 282 Green Bay, Wis.

American Federation of Teachers

Local: 256 Grand Rapids, Mich.

International Brotherhood of Teamsters, Chauffeurs, Stablemen, and Helpers of America

Locals: 429 Reading, Pa.; Los Angeles, Calif.; Atlantic City, N. J.; Duluth, Minn.; 156 Philadelphia, Pa.

United Textile Workers of America

United Textile Workers Convention; District Council of American Federation of Full Fashion Hosiery Workers of New Jersey; District Council of American Federation of Full Fashion Hosiery Workers of New York, New York City, N. Y.; Convention of American Federation of Hosiery Workers, Reading, Pa.

Locals: New Orleans, La.; 31 Northampton, Mass.; 1733 Paterson, 2052 Union City, N. J.; 8 New York, N. Y.; Allentown, 4 Langhorn, 1750, 702, 1589, 1526, 706 Philadelphia, Pa.

Upholsterers' International Union of North America

Locals: 75 Baltimore, Md.; 77 Philadelphia, Pa.

INDEPENDENT UNIONS

California

Agricultural and Cannery Workers Industrial Union.

Connecticut

Shoe Makers Association of New Haven.

Illinois

Progressive Miners of America of Cuba, Taylor Springs, and Springfield. Workers Alliance Union of Staunton.

Massachusetts

Weavers Progressive Association of Fall River.
Workers Protective Union of Lowell.
National Textile Workers Union.

Michigan

Registered Pharmacists Association of Detroit.
Sheet Metal Workers of Detroit.
Auto Workers Union of Detroit.
International Society of Detroit.
United Workers of Detal Co. of Escanaba.

Minnesota

Packinghouse Workers Industrial Union.

New York City

Association of Laboratory Technicians.
American Newspaper Guild.
Alteration Painters.

Drygoods Workers' Union.
 Food Workers Industrial Union.
 Furniture Workers Industrial Union.
 Glass and China Decorators Industrial Union.
 Laundry Workers Industrial Union.
 Marine Workers Industrial Union.
 Needletrades Workers Industrial Union.
 Tobacco Workers Industrial Union.
 Steel and Metal Workers Industrial Union.
 Soft and Bristle Hairdressers Union.
 Toy Workers Industrial Union.
 Photographic Workers Industrial Union.

Ohio

Mechanics Educational Society, Cleveland.

Pennsylvania

Union of Beaver County of Rochester.
 National Miners Union of Pittsburgh.
 United Ribbon Workers Association of Allentown.
 Independent Coal Operators Association of Shamokin.
 Independent Union of the Columbia Steel and Shaft Co. of Carnegie.

Rhode Island

American Independent Textile Workers Union of Pawtucket.

Texas

Laborers Association of Breckenridge.
 Asociacion de Domesticos.
 Asociacion de Jornaleros.

Washington

Fisherman and Cannery Workers Industrial Union of Seattle.
 National Lumber Workers Union of Seattle.

CLUBS

Connecticut

New Britain Association of Lithuanian Workers, Inc., Br. 108, Lithuanians' Citizens Independent Club, Polish Workers, Scandinavian Entertainers, Scandinavian Workers, First Polish, Slovak Political.

Illinois

Polish Democratic Club, Chicago, Progressive Workers of Brookside Township, Polish-American Citizens, Chicago Heights, Hunters Protective Club.

Michigan

Chippewa County Workingmen's of Sault Ste. Marie, Slovak American Citizens Club.

New York City

Associated Workers Club, Moshulu Progressive, Pelham Parkway Workers, New Youth Group, Fordham Progressive, Tremont Progressive, Midas Youth, Ridgewood Youth, Utica Center, Canarsie Workers, New Youth, Progressive Workers, Social Youth, Progressive Community Center, American Youth, Taxpayers Civic Ann's of Maspeth, Inc., Italian American Progressive, New Group, Pequoits Ladies Social, Tamacqua Social, Unionport Political, Yorkville Workers, A. C., Oceana Social, Boro Park Culture, New Group, New Culture, Rugby Youth, Red Sparks, Cli Grand, West Side, W. C., New Youth Center, Hollis Circle Democratic Club, Elmhurst, Crematorial Society Bremer Ladies, James W. Husted Fellowcraft, National John Reed Clubs, Italian American Progressive Club.

New Jersey

American Slovak Citizens' Club.

Ohio

Julian Marchlewski Polish Club, Dounanian Democratic Social Club.

Pennsylvania

Polish Club, Carnegie, Workers Educational Club, Monessen, Polish Workers Club, Fairhope Rod and Gun Clubs.

FRATERNAL ORGANIZATIONS

California

Workermen's Sick and Death Benefit fund of U. S. A.

Connecticut

Italian Fraternal Association.

St. Stanislaus Society 102 Polish Union of America.

Daughters of Mary.

St. Vincent Society.

L. D. S. Youth Branch 143.

Modern Woodman of America Camp 10431.

Grand Duke Withold.

Ladies Evangelical Congregational Circle.

National Slovak Society.

Slovak Evangelical Union A. C. of America.

Hungarian Aid Association of America.

Education Zirgvoikis Benefit Society.

International Workers Order.

St. George Benefit Society.

St. Andrews Benefit Society.

St. Joseph Benefit Society.

St. Kasimer Benefit Society Lithuanian.

Russian Mutual Aid Society of America.

Sons and Daughters Benefit Society.

Towarzystwo, Swietego Kryzyza.

Illinois

Russian National Mutual Aid Society.

Mutual Protective Association Inland Steel Local.

Scandinavian Unity Conference.

Italo-American National Union.

Aido Chorus.

Slovak Evangelical Union A. C. of America.

Indiana

Slovak Evangelical Union A. C. of America.

Iowa

Slovak Evangelical Union A. C. of America.

Louisiana

Knights of Peter Claver.

Montana

Slovak Evangelical Union A. C. of America.

International Workers Order.

Slovak Evangelical Union A. C. of America.

Maryland

Polish American Citizens League.

Massachusetts

Polish District Chamber of Labor.
Tadensz Kosiuszko.
S. B. Liasve's Chorus.

Minnesota

Slovak Evangelical Union A. C. of America.

Missouri

Slovak Evangelical Union A. C. of America.
International Workers Order.

West Virginia

Slovak Evangelical Union A. C. of America.

Michigan

Lithuanian Art Chorus.
United Ukrainian Toilers.
Italian Lodge.
Czechoslovak Baptist Church.
Evangelical Slovak Women's Union.
National Slovak Society.
Slov. Ev. Av. Confession Union.
All Saints Society.
Slovak Evangelical Union A. C. of America.
United Sausage Distributors Union L. 122.
Slovak Gim U Sokol.

New Jersey

International Workers Order.
Association of Lithuanian Workers.
Russian National Mutual Aid Society.
Slovak Evangelical Union A. C. of America.
Russian National Mutual Aid Society.
Elso Newarki Magyi Garoby Gaspar B. S. E.
Rakocsi Hungarian Sick Benefit Association.
Verhovay Aid Association.
Czechoslovak Society of America, Lodge 236, Dunellen, N. J.
Bohemian Workers Sick and Death Society.
Hungarian Workers Home and Amateur Society.
Joseph Poniatowski Beneficial Ass'n, Inc.
Carteret Workers Ass'n.
Slovak Gymnastic Union, Sokol, Lodge 220.
Slovak National Society.
National Slovak Society.
First Catholic Slovak Union.

New York City

Independent Order of Odd Fellows: Thomas Jefferson Lodge 441; Pannonia Lodge 185.
Knights of Columbus: Brendan Council 306; Vincentian Council.
Foresters of America: Grand Court State of New York; Court 16, 200, 211, 211, 349, 439, 453.
Independent Sons of Italy: Supreme Lodge.
Sons of Italy Grand Lodge: Loggia Cesare Battisti 583; Loggia Uguaglianza 83.
Workmen's Circle: Branches 35, 38, 396, 405, 407, 417, 515, 554, 956.
Workmen's Sick and Death Benefit Fund: National Committee; Manhattan Agitation Committee; Branches 1, 6, 23, 24, 25, 28, 70, 103, 157, 158, 180, 224.
Biellese Workers Mutual Society.
Geisen Sick Benevolent Society: Ind. Ostrolenker Y. M. B. A.
Adolph Ullman Aid Society: Radnick Chorus.
Slovak Evangelical Union A. C. of America: Branch 28.
International Workers Order: 1,100 Branches.
International Workers Order, Youth Section: 450 Branches.

Independent Tomashpoler Society.
 Prager Warschauer Y. M. A. S.
 Russian National Mutual Aid Society: Branches 45, 47, 65, 66, 69, 86, 88, 104.
 Slovak Catholic Sokol Society.
 Woodman of the World, Liberty Camp 279.
 Workmen's Benevolent and Benefit Society.
 Loggia B. Cellini.
 First Dimerer Progressive Society.
 Sun Ray Democratic Association.
 Fraternal Federation for Social Insurance.
 Bershader Benevolent Society.
 Catholic Sokol.
 Fathers Club of the Lavanburg Homes.
 Societa' Campobello di Mazzara.
 Societa' Cittadini di Favara.
 Societa' Concordia Partanna.
 Societa' Cor Bonum Corigliarrere.
 Societa' Progressiva Italiana.
 Ribera Mutual Aid Society.
 Sant'Agata Militello Rosmarino.
 S. M. S. Sauteramo in Colle.
 Unita' Adornese di M. S., Inc.
 Societa' Mutuo Soccorso Furnarese.
 Association of Lithuanian Workers, Inc., Branch 13, 14, 15.
 Association of Lithuanian Workers, Youth Branch.
 Lithuanian St. George's Society.
 Roumanian Christian Society.
 Roumanian Society Avram Iancu.
 Ukranian Benefit Society "Bukowina".
 Ukranian Free Alliance.
 Vereinigte Arbeiter Kranken und Sterbe Kasse, of N. A. Branch 6.
 Arod and Vicinity Sick and Benevolent Association.
 First Stepiner Benevolent Association.
 Warschauer Brotherly Love Benevolent Society.
 First Orgayever Benevolent Association.
 Maramaros Young Men's Society of Brooklyn.
 First Stepiner Benevolent Society.
 Lomzer Young Men's B. A.
 Ind. Forest Odessa S. Ben. Association.
 Polonker Society.
 Odesser Young Ladies Benevolent Ass'n.

New York State

Independent Sons of Italy in America.
 Workmen's Sick and Death Benefit Fund Branches 211, 28.
 Russian National Mutual Aid Society.
 Association of Lithuanian Workers.
 Slovak Evangelical Union A. C. of America.
 Bohemian Citizens Benevolent Ass'n.
 Workmen's Circle Branch 221.

Ohio

Slovak Evangelical Union A. C. of America.
 Societa' di Mutuo Soccorso.
 San Nicola Savoia di San Polo Matese.

Pennsylvania

Superior Order of Lithuanian Local 3.
 Pennsylvania Slovak Union.
 Croatian Benefit and Education Society.
 Croatian Fraternal Union 94.
 Slovenian National Benefit Union 505.
 Dante Alighieri Society, Inc.
 Fraternal Order of Eagles of Pitcairn.
 Polish Beneficial Association of St. John Ceanitus.

American Slavic Benevolent Association.
Italian Sons and Daughters of America.
Polish Workers Aid Fund N-107.
Ukranian Women's League.
Lemko Association, Chapter 8.
A. L. D. L. D., Branch 399.
National Slovak Society.
Slovak Evangelical Union A. C. of America.

Rhode Island

Swedish Workingmen's Association.

Wisconsin

Italian-American Society.
Blue Bird Lodge 116.
W. A. Gardner Lodge 191.
Polish National Alliance.
Slovak Evangelical A. C. of America.

WOMEN'S ORGANIZATIONS

Lithuanian Girls and Ladies Benefit Society, New Britain; International Women's Council, New Haven, Conn.; P. M. A. Women's Auxiliary, Belleville, Ill.; Ukranian United Toilers Women's Section, Br. 4 Detroit, Mich.; United Council Working Class Women, New York; Ladies Auxiliary to United Mine Workers of America 762, South Brownsville, Pa.; Women's Auxiliary International Association of Machinists Loc., Milwaukee, Wis.

UNEMPLOYED AND RELIEF WORKERS ORGANIZATIONS

California

California Workers Association.

Colorado

Workers Unemployed Council of Nucla.

Connecticut

Unemployment Protective Association of New Haven.

Florida

Florida State Federation of Workers League, Tampa.

Kansas

American Workers Union.

Illinois

Chicago Workers Committee.
Illinois Workers Alliance.

Indiana

Fort Wayne Unemployed League.

Massachusetts

Springfield Unemployed League.

Michigan

Single Men's Club of Gaspian, Iron River.

Minnesota

Central Council of Workers of Minneapolis.
Roosevelt C. W. A. Club of Eveleth.

Montana

New Mexico

Clayton Unemployed Council.

New York

South Shore Unemployment Association of Elmont, Long Island.
 Eastern Federation of Unemployed and Emergency Workers.
 Unemployed Hatters Union 8.
 Workers Unemployed Union.
 County Unemployed and Relief Workers Union of Schenectady.

Ohio

National Unemployed League, Columbus.

Pennsylvania

Unemployed Ribbon Workers Association of Allentown.
 Unemployed Citizens League of Allegheny County.
 Workers Relief Protective Association of Erie.
 Roosevelt New Deal Federation of Monessen.
 Druggist Unemployed of Philadelphia.
 Unemployed Teachers Council of Philadelphia.

South Dakota

United Workers League of Sioux Falls.

Washington

Relief Workers Association of Port Angeles.

West Virginia

West Virginia Unemployed League District 2 (22 locals) of Huntington.
 Brotherhood of Locomotive Engineers Unemployed Union.
 West Virginia Unemployed Leagues.

Wisconsin

Wisconsin Federation of Workers Committees of Racine.
 Communist Party of America.
 Farmer Labor Federation, Minnesota.
 Socialist Party, Bridgeport, Conn.
 Bethlehem, Pa.
 Young Communist League.
 Young People's Socialist League, Washington, D. C.
 Scandinavian Workers League, New Britain; A. M. E. Zion Methodist Church;
 Inter-Racial Protective League, Chicago, Ill.; A. M. E. Zion Methodist Church,
 Baltimore, Md.; Conference of Jewish Social Service, Atlantic City, N. J.;
 League of Struggle for Negro Rights, American Youth Congress; Brighton
 Beach Parent Teachers Society, Class Room Reachers Groups, Social Workers
 Discussion Club, Interprofessional Association for Social Insurance, Federation
 of Architects, Engineers, Chemists and Technicians, Associated Office and Pro-
 fessional Emergency Employees, League Against War and Fascism, Interna-
 tional Labor Defense, Daily News Subs' Club, New York City, N. Y.; Church
 of Assembly of God, Cushing Okla.; Young Bay Coop Diary, Astoria, Oreg.;
 Farmers National Committee of Action, Pennsylvania; A. M. E. Zion Methodist
 Church, Philadelphia, Pa.

NATIONAL ACTION COMMITTEE FOR GENUINE SOCIAL INSURANCE

Chairman: F. Elmer Brown, N. Y. C.; vice chairman: Mary van Kleeck,
 N. Y. C.—F. S. Kidneigh, Denver, Colo.—Joseph Vasas, Bridgeport, Conn.;
 executive secretary: Herbert Benjamin, N. Y. C.; treasurer: T. Arnold Hill,
 N. Y. C.

Alabama.—A. A. Thorpe, Switchmen's Union No. 46, Fairfield; Larry Walker,
 U. C., Pratt City; Jos. Howard, U. C., Birmingham.

Arkansas.—Horace Bryan, U. C., Greenwood; Floyd Lowery, U. M. W. of
 America, Midland.

California.—Harry Adams, Public Works and Unemployed Union, San Francisco; Harry Bridges, President San Francisco Local, International Longshoremen's Association.

Connecticut.—Raymond Jonas, Pratt and Whitney Ind. Aircraft Union, Hartford; Joseph Nygren, Progressive Party of Naugatuck, Naugatuck; Joseph Vasas, Rokossi Hungarian Sick and Death Benefit Society, Bridgeport.

Colorado.—F. S. Kidneigh, Boilermaker and Iron Ship Builders, S. P., Denver (Local No. 179); Allan O. Herring, Farm Holiday Association, Cahone.

District of Columbia.—Harold Hickerson, national chairman, veteran rank and file committee, Washington.

Florida.—Ricardo Diz, U. C., S. Jacksonville.

Georgia.—J. A. Moreland, I. W. O., Atlanta.

Illinois.—William Frame, Progressive Miners of America, Local No. 1, Gillespie Elmer Johnson, Painters Local No. 637, Chicago; Nuck Orphanos, Amalgamated Steel and Tin Association No. 52, Gary; Karl Lockner, U. C. of Cook County, Chicago; Frank Hamilton, Small Home and Land Owners Federation of Illinois, Chicago; Rudolph Martinowix, Czechoslovak United Front, Chicago.

Iowa.—Ira R. Meade, Iowa U. C., Des Moines.

Kansas.—Carl O. Glenn, State Organizer American Workers Union, S. P., Kansas City; Waldo McNutt, National Chairman, First National Youth Congress Topeka.

Kentucky.—Jim Garland, U. C., Pineville.

Louisiana.—Richard Babb Whidden, S. P., Alice Pratts, U. C., New Orleans.

Maine.—Frank H. Maxfield, State secretary of Main S. P., Portland.

Maryland.—Cass Bailey, United Building Trades Federation, Baltimore; William Seeberger, Washington Lodge No. 3 Masons, Baltimore; Rabbi Edward L. Israel, Central Conference of American Rabbis; Broadus Mitchell, Professor, John Hopkins University.

Massachusetts.—Roscoe Faretta—Local No. 9, United Shoe & Leather Wkrs. Union, Haverhill; Philip V. Moore—V. Pres. Interstate Discrimination Council, U. T. W., Indian Orchard; Pres. Ludlow Local of U. T. S.; Benjamin E. Waite—United Shoe & Leather Workers Union, Lynn; Jacob Hirsch—Lasters Local, Bro. Shoe and Allied Crafts, Brockton; Karl Kimberley—Decorators Branch of Plasterers Local No. 10, Bedford; Seymoud E. Allen—No. 18385 Federal Labor Union, Springfield.

Michigan.—Richard Kroon—Sec'y A. F. of L. Committee for Unemployment Insurance, Detroit; J. F. Chapman—General President, Mechanics Ed. Society of America.

Minnesota.—John Baker—A. F. of L. Committee for Unemployment Insurance, Minneapolis; H. G. Bearson—Mine, Mill and Smelter Workers Union, Gov. Olson Local, Eveleth; A. D. Offley—U. F. L. Holiday Ass'n, U. C., Ottertail County, Vergas; R. R. McGraw—Labor Advancement Ass'n, Truck Drivers Local No. 346, Painters Local No. 106, Duluth.

Missouri.—John Day—Route No. 1, Joplin, U. U.

Nebraska.—Carl Filsinger—Farmers' Holiday Plan; Herschel Martin—Amal. Butchers Union.

New Mexico.—R. F. Richards—U. S., Albuquerque; John Socoro—Spanish League, Los Vegas.

New Hampshire.—Malcolm D. Young—U. T. W. Local No. 2301, Treasurer, Sunapee.

New Jersey.—John Turgan—Hungarian Action Com., Trenton; Joseph Jannerelli—Dyers Local No. 1733 A. F. L., Patterson; Fred Haug—State Fed. of Unemp. & Relief Workers Orgs., Irvington; W. H. O'Donnell, Jr.—Chairman State Fed. Unemp. & Relief Orgs.; Ed. Wintenberger—Painters Local No. 989, Newark.

New York.—M. Cowl—Womens Committee, N. Y. C.; McQuistion—Marine Workers Unemp. Council; Fred Milton—I. L. A.; Ben Gold—Needle Trades Wkrs. Ind. Union; Harry Warner—Local No. 75 Bricklayers; Phil Flick—Local No. 131 Painters, Mt. Kisco; Dora Rich—Womens Councils; Gardner Jones—Home Relief Bureau Association; Alexander Taylor—A. O. P. E. E.; Arthur Berry—L. S. N. R.; Albion Hartwell—I. P. A.; Jules Korchien—National Sec'y, Federation of Architects, Engineers, Chemists, and Technicians; Corliss Lamont—Author; Harry L. Lurie—Economist and Social Worker; William B. Spofford—Executive Sec'y, Church League for Industrial Democracy; Louis Weinstock—National Sec'y, A. F. of L. Committee for Unemployment Insurance; Alfred G. Winters—Personnel Director, American Ass'n. of Social Workers; Dr. Reuben Young—National Treasurer, League of Struggle for Negro Rights; H. S. Had-

dock—President, American Radio Telegraphers' Ass'n.; Herbert Benjamin—National Organizer, National Unemployment Council; John P. Davis, Joint Com. for Nat'l Recov.; Peter C. Giambalvo, Supreme Council, Ind. Order Sons of Italy; H. Dulitzky, Workmen's Circle; George Primoff, Sec'y Fraternal Fed. for Social Insurance; Paul Brissenden—School of Business, Columbia University; Heywood Broun—Pres. American Newspaper Guild; Earl Browder—General Sec'y, Communist Party, U. S. A.; F. Elmer Brown—National Chairman, Amalgamated Party, Int'l Typo. Union; Ben Davis, Jr.—Editor, The Negro Liberator; William Z. Foster—National Sec'y, Trade Union Unity League; Granville Hicks—Editor, New Masses, Troy; T. Arnold Hill—The National Urban League; Roy Hudson—National Sec'y Marine Workers Industrial Union; Grace Hutchins—Labor Research Ass'n; I. Amter—National Sec'y, National Unemployment Council, U. S. A.; Roger Baldwin—Director, American Civil Liberties Union; Max Bedacht—General Sec'y, International Workers' Order; John C. Hopewell—Traction Workers Union; Max Shulman—Typographical No. 6; Dolitsky—Workmen's Circle; Elsa Jansen—Workers Sick & Death Benefit Society; Theodore Mischell—National Fraternal Advisory Committee for Unemployment & Social Insurance.

Albany-Schenectady Territory: Clarence Carr—Pres. Ind. Leather Workers Union Local No. 1, Fulton County, Johnstown; Western & Central New York Territory; George Brickner—U. C., Buffalo; Ragnar Videll—S. M. W. I. U., Jamestown; Joseph Stenglein—Bakers Local No. 14, Rochester.

North Dakota.—D. J. Todd—Labor Association, Williston.

Ohio.—J. J. Vanacek—Chairman U. F. Committee Czech Slovak, S. P., Cleveland; Frank Rogers—City General Committee U. C., Cleveland; E. C. Greenfield—State Ch. Small Home and Land Fed., Ch. Sponsoring Com.; Giny R. Venditti—Italian Fraternal United Front of Ohio, Bedford.

Oklahoma.—J. D. Smith—Heavener; John Parker—No. 7 Workingman's Union of the World, Spiro.

Oregon.—Dirk De Jonge—State U. C., Portland.

Pennsylvania.—Chas. Nolker—U. M. W. A., Library; Mike Stanovich—C. T. C. Pres. U. M. W. A., Renton; Frank Bury—Nat. Slovak Society, Pittsburgh, Pa.; Clark Noonan—Jeanette Central Trades Council, Rubber Worker, Jeanette; John Reedy—Am. Lace Operative Local No. 1, Philadelphia; O. J. Hull, Jr.—Midvale Steel Fed. Labor Union No. 18887, Midvale; Arthur H. Fauset—Am. Fed. of Teachers, Local No. 192, Philadelphia; Charles Sykes—Radio and Metal Workers Union (indep.), Philadelphia; Helen Pierce—U. C., Philadelphia; Paul Sturman—Slovak Evangelical Union A. C. of Am.; James Egan—Sec'y, Steel and Metal Workers Industrial Union; Lem Harris—Executive Sec'y, Farmers National Committee for Action, Philadelphia.

Rhode Island.—John Francis O'Brien—Vice Pres. Painters Local No. 195, Providence; Albert Jannuccillo—Providence Central Federated Union, Providence—Business Agent, Journeyman Barbers Union; Madilene Rondina—Alumnae Ass'n Bryn Mawr; Y. W. C. A. from Providence, R. I.; Earl P. Ormsbee—State Com. S. P. of R. I., Providence.

South Carolina.—Niels Christensen—South Carolina Barter Exchange, Beaufort.

Texas.—E. V. McKinney—U. C., Dallas; J. D. Ansley—Harris City U. C., Houston.

Tennessee.—L. A. Weeks—Unico, Washington and Carter Counties Workers' Leagues, Jonesboro.

Wyoming.—Mack Smith—Farm Holiday Ass'n, Yoder.

Vermont.—Richard Truba—Granite Cutters' International, Barre.

Virginia.—Tilmon Cadle—U. M. W. A. Ky. Dist., Roda.

Washington.—W. H. Murray—U. C. L., Seattle.

West Virginia.—Luther Fast—U. C., Grafton; Odus Spiker—U. C., Morgantown.

Wisconsin.—Arnold Timpson—U. C., Gleason; W. A. Harju—Workers and Farmers' Cooperative Unity, Superior.

TELEGRAMS OF GREETINGS TO THE CONGRESS WERE RECEIVED FROM THE FOLLOWING ORGANIZATIONS

Friends City Committee Unemployed Mens Councils Philadelphia; Holland Ohio Unemployment Council Local No. 2; Hungarian Workers Federation of Gary, Ind.; Unemployment Council, Akron, O.; Unemployed Council Local

No. 6, Woods Run, Pa.; United Farmers League of Dickey County, N. Dak.; Ella May Branch of the I. L. D., Brooklyn, N. Y.; Metal and Machinery Local No. 311, 92 Waverly St., Yonkers; New Lots Workers Club of Brooklyn, N. Y.; Workmans Sick and Death Benefit Fund, Ridgewood, N. Y.; Local Sponsoring Committee of Canton, Ohio; Twenty-Second Ward Cleveland Unemployment Council; Mass Meeting of Unemployed and Employed citizens of Bell County, Ky.; Italian Workers Society for Mutual Benefit of the West Side, Cleveland; Eastern Ohio Valley District Ways and Means Committee, Wheeling, W. Va.; Milk Drivers and Dairy Employees Union Philadelphia Local 60; Superior Wisconsin Finnish Working Womens Clubs; Members of Camp Williams Penn Number 14 Order of Brotherly Love, Philadelphia, Pa.; Thompson Street Unemployed Council No. 3, Philadelphia, Pa.; Secretariat Minnesota Wisconsin District Finnish Working Womens Club, Superior, Wis.; Lemko J. R. S. of Cleveland, O.; A. F. L. Rank and File Committee, Oakland, Cal.—6 Locals A. F. L. Unions comprising 3,500 members; Sons of Labor Mutual Aid Society, Wilmington, Delaware; Small Home and Land Owners Federation Bohemian Members of Branch Five, Cleveland, Ohio; Mullen Local No. 9 I. U. M. and S. W., Mullen, Idaho; Get Together Club of Superior, Wis.; Workers of Mayfield, Cleveland, Ohio; Jewish Women's Council, Lynn, Mass.; Assembly of Societa' Artigiani, Philadelphia, Pa.; German Workers Club, Milwaukee, Wis.; District Plenum of I. W. O., South California; 150 members of the 10th ward assembly of the Unemployment Councils, Cleveland, Ohio; District Conference of Polish Sick Aid Incorporation, New York, N. Y.; Canton Slovaks, Canton, Ohio; Members of Seventh Ward Club of Youngstown, Ohio; Members of Bohemian Branch of the International Workers Order, Cleveland.

Ohio and members of audience assembled in Bohemian National Hall, January 6; Workers Cultural League of Massachusetts, Dorchester, Mass. (representing 650 members); 600 workers representing many organizations, assembled in mass meeting and demonstration for unemployment insurance, January 6, San Francisco, California; Cleveland Unemployment Council Central Body representing 5,000 members; James Eagan Branch International Labor Defense, Pittsburgh, Pa.; Pharmacists Union of Greater New York; Jugoslav Branch 4251, IWO, of Cleveland, Ohio; National Convention Mechanics Education Society of America assembled in Cleveland, Ohio; Altro Work Shop of New York City; Uj Elore Hungarian Daily of Cleveland, Ohio; Executive Committee Soeul Club, Brooklyn, N. Y.; Unemployment Councils of Buckeye, neighborhood of Cleveland, O.; International Workers Order of Cleveland, Ohio; International Workers Order, Branch 2550, of Cleveland, O.; Hungarian United Front for Social Insurance of Chicago, Ill.; International Workers Order, Branch 1026, of Newark, N. J.; Bayridge Unemployment Council of Brooklyn, N. Y.; Oddz Spojnia of Detroit, Mich.; Youth of the Hungarian Workers Federation of Cleveland, Ohio; Centro Obrero Puertorriqueno of New York City; Central Federation Unemployed Citizens League of Seattle, Wash.; Brighton Beach Unemployment Council of Brooklyn, N. Y.; Authors League of America of New York City; Ujich, Carlson, Popoff, Mannisto, Kettleman, of Ellis Island; Fur Floor Workers Union, Local No. 3, of Brooklyn, N. Y.; Downtown Section of International Labor Defense of New York City; Workers League of Ludington, Mich.; Association of Employee Optometrists of New York State; Unit No. 4, Illinois Workers Alliance of Sandoval, Ill.; National Guardsman, 131st Infantry, 33rd Division, Chicago, Ill.

REPORT OF CREDENTIALS COMMITTEE

NUMBER¹ OF DELEGATES ACCORDING TO STATES

Alabama, 6; Arkansas, 9; California, 6; Colorado, 12; Connecticut, 54; Florida, 12; Georgia, 1; Indiana, 8; Illinois, 112; Iowa, 8; Kansas, 1; Kentucky, 7; Louisiana, 6; Maine, 5; Maryland, 70; Massachusetts, 89; Michigan, 48; Minnesota, 19; Mississippi, 4; Missouri, 4; Montana, 1; Nebraska, 1; New Hampshire, 7; New Jersey, 145; New Mexico, 3; New York, 904; North Carolina, 10; North Dakota, 2; Ohio, 217; Oklahoma, 1; Oregon, 1; Pennsylvania, 554; Rhode Island, 11; South Carolina, 1; Tennessee, 1; Texas, 6; Vermont, 6; Virginia, 39; Washington, 2; West Virginia, 15; Wyoming, 1; Wisconsin, 35; Canada, 1; District of Columbia, 61. Total number of delegates 2,506.¹

¹ The above figure does not represent the total number of delegates present in Washington since some delegations failed to turn in all their registration cards with their credentials. In addition, many delegations conducted their own registrations and overlooked certain of the questions so that we must assume that

SOCIAL COMPOSITION OF DELEGATIONS

Total of delegations

American Federation of Labor.....	742
Local Unions.....	338
Independent Unions.....	221
Trade Union Unity League.....	207
Shop Delegates & Rank & File.....	37
Professional Unions.....	145
Unemployed Organizations.....	517
Fraternal Organizations.....	578
Political Parties.....	53
Farm Organizations.....	40
Other Divisions.....	370
Total.....	2,506

Trade Union affiliation

American Federation of Labor.....	742
Independent Unions.....	397
Trade Union Unity League.....	291
Number Employed.....	1,046
Unemployed 6 Months.....	329
6 Months to 1 Year.....	189
1 to 2 Years.....	206
Over 2 Years.....	397
Female.....	463
Male.....	1,777

ORGANIZATIONS OFFICIALLY REPRESENTED

American Federation of Labor

Cascades County Trades and Labor Assembly, Montana; Central Labor Union of Buck's County, Pennsylvania; Central Labor Union of Easton, Pa.; Central Labor Union of Newport, Rhode Island; Central Trades Council of Jeanette, Pa.; Providence Central Federated Union, Rhode Island; United Labor Council of Tarentum, and vicinity, Pa.; United Textile Workers Interstate Council; Painter District Council No. 10 of Newark, N. J.

And from locals of: Actors and Artists of America, Ass'n; Bakery and Confectionery Workers' International; Barbers' International Union, Journeymen; Blacksmiths, Drop Forgers and Helpers International; Boot and Shoe Workers Union; Boiler Makers, Iron Ship Builders and Helpers of America; Bricklayers, Mason and Plasterers, International; Brewery, Flour, Cereal and Soft Drink Workers of America; Building Service Employees, International; Carmen of America, Brotherhood Railway; Carpenters and Joiners of America; Cigarmakers' International Union; Clerks' International Protective Association, Retail; Clerks, National Federation of Post Office; Clothing Workers of America, Amalgamated; Engineers, International Union of Operating; Garment Workers of America, United; Garment Workers' Union, International; Glass Cutters' League of America, Window; Government Employees, American Federation; Granite Cutters International Association; Hatters of North America, United; Hod Carriers, Building and Common Laborers' Union; Hotel and Restaurant Employees and Beverage Dispensers International; Iron, Steel and Tin Workers, Amalgamated; Lathers' International Union of Wood, Wire and Metal.

Laundry Workers International Union; Leather Workers, United, International; Lithographers' International Protective and Beneficial Association; Machinists, International Association of; Meat Cutters and Butcher Workmen of North America, Amalgamated; Metal Workers International Association; Mine, Mill and Smelter Workers, Inter.; Mine Workers of America, United; Moulders' Union of North America, Int.; Painters, Decorators and Paperhangers of America Brotherhood; Plasterers' International Association; Printing Pressmen's and Assistants; Pulp, Sulphite and Paper Mill Workers; Stereotypers' and Electrotypers; Switchmen's Unions of North America; Teachers, American Federation; Telegraphers Union of North America; Textile Workers of America; Tobacco Workers International Union; Typographical Union, International; Upholsterers' International Union; Weavers Protective Association, American Wire.

Local unions

Federal Labor Union; Federal Labor Fisher Lodge; Federal Labor 18651; Federal Labor Battery Workers; Federal Labor Cleaners and Dyers; Federal Labor Union, Midvale Steel 18887; Federal Local 14659 Brass Bobbins Union; Federal Union, Amalgamated Lace Operators; Federal Local 19114; Battery Workers 18551; Citrus Workers, United; Cleaners and Dyers 18233; Die Casting Workers, National; Lead Oil Varnish and Paint Workers; Neckwear Makers 11016, United; Radio Television 18368; Shafting Workers Union; Suitcase and Bag Makers; USTM Lodge; Woolen Worsted 1586.

INDEPENDENT TRADE UNIONS

Alteration Painters; Amalgamated Chiropractors Association; American Newspaper Guild; Association of Laboratory Technicians; Associated Industrial Workers; Association of Philadelphia Co. Relief Board Employees; Association of Federation Workers; Building Trades Group; Building Service Union; Brotherhood Shoe and Allied Crafts; Car and Foundry Workers; Columbia Metal Stamping Products Workers; Construction Workers Independent Union; Coopers Independent Union; Dental Society Northern District; Dental Technicians Equity; Farmers and Workers Unempl. Union; Federation of Art Workers; Federation of Architects, Engineers, Chemists, and Technicians; Fish Workers Union; Furniture Workers Union; Hebrew Painters and Paperhangers; Independent Aircraft Workers of America; Independent Building Trades Union; Independent United Floor Workers Union; Independent House Wreckers; Laundry Cleaners and Dyers; Local Union of Plymouth; Mechanics Educational Society; National Association of Substitute Postal Employees; National Leather Workers; Nurses and Hospital Workers League; Pharmacists Union; Postal Workers of America; Progressive Miners Union; Radio and Metal Workers Union; Sharecroppers; Table Makers Union; Taxi Drivers Union; Textile Trimming Workers; Tool and Die Makers Club; Union of Private School Teachers; Union Mechanics Association; United Anthracite Miners of Pennsylvania; United Building Trades Federation; United Shoe and Leather Workers; United Telegraphers of America; and Waterheaters Union of Pittsburgh.

TRADE UNION UNITY LEAGUE

Trade Union Unity League; Trade Union Unity Council, N. Y.; Agricultural and Cannery Workers Industrial Union; Domestic Workers Industrial Union; Food Workers Industrial Union; Furniture Workers Industrial Union; Laundry Workers, Industrial Union; Marine Workers Industrial Union; National Miners Union; Needle Trades Industrial Union; Office Workers Union; Packing House Workers Industrial Union; Steel and Metal Workers Industrial Union.

COMPANY UNIONS

Catholic Union, Pennsylvania.

RANK AND FILE GROUPS AND SHOP DELEGATES

Amalgamated Clothing Workers; American Federation of Teachers; Cap Makers; Carpenters Union; Classroom Teachers; Cleaners and Dyers; Cloak Makers; Enjay Shop; Goldsheer Dress Company; Hatters; International Longshoremens Association; International Ladies' Garment Workers Union; Israel Zion Hospital; Knit Goods Workers; Local Workers Division of Painters and Paperhangers; Logansferry Blacklisted Coal Miners; Neckwear Group; Newspaper Group of Yorkville Advance; Painters Local; Pocket Book Workers; Shop Committee Altro Workshop, Inc.; Shop Easy Dress Shop Group; United Carpenters and Machinists Club.

UNEMPLOYED AND RELIEF WORKERS ORGANIZATIONS

Actors Emergency Association; Amalgamated Labor League of Virginia; American Workers Union; Associated Independent Workers; Associated Professional, Office Emergency Employees; Carteret Workers Association; Chinese Unemployed Alliance; Community Club; Community Workers Council; Conference of Unemployed Groups; Cooperative Workers of New Castle, Pa.; County Relief Workers Union; Crawford County Labor Association; Dancers Emergency Ass'n; Elmont Unemployed Workers Association; Erie County

Lodging House; E. R. A. Workers Protective Union; Farmer Labor Union; Federation of Ohio; Federation of Unemployed; F. E. R. A. Teachers Organization; Gibson County F. E. R. A.; Home Relief Buro E. A.; Illinois Workers Alliance; Indiana Unemployed Union; Irvington Workmen's Relief Association; Italian Unemployed Groups; Labor Relief Organization of Wisconsin; Leonia Unemployed Relief Association; Maryland Unemployed Leagues; Metuchen Mutual Welfare; National Unemployment Council, U. S. A. (338 Delegates representing 150 cities); National Unemployment Council, Women's Committees; Niles Unemployed Union; Northampton, Pa., Unemployed Citizen's League; Ohio Unemployed Leagues; Owosso Chamber of Labor; Professional Workers Project Welfare Clubs; Public Relief Investigators; Public Works and Unemployed Leagues; Public Works and Unemployed Union; Recreation Leaders Association; Relief Association and Workers Clubs; Relief Workers League; Relief Workers and Unemployed Committees.

Relief Workers Union; Resident Workers Protective League of Mansfield; Right-to-Live Club; Stick-Together-Club; Summit Unemployed League; Social Security League of Ohio; Unemployed Citizens League of Seattle, Wash.; Unemployed Club; Unemployed Conference; Unemployed Council of Metal Trades Workers Ind. Union; Unemployed Council of Needle Trades; Unemployed Leagues; Unemployed League of Allentown; Unemployed Leagues of New Jersey; Unemployed League of Bethlehem, Pa.; Unemployed League of Columbus; Unemployed League of Emaus, Pa.; Unemployed League of Parsons, Pa.; Unemployed League of Plymouth, Pa.; Unemployed League of Pa.; Unemployed and Relief Workers Organizations; Unemployed and Relief Association; Unemployed Relief Workers Union; Unemployed Relief Association of N. J.; Unemployed Teachers Association; Unemployed Union; Unemployed Workers Union; Unemployed Workers Association of Michigan; Unemployed Workers Union of Farrell, Pa.; United Mine Workers of America—Unemployment Council; United Citizens League of Ohio; United Unemployed & Relief Workers Association of N. J.; United Unemployed Railroad Workers; United Workers League; Washington Co. (Tenn.) Workers League; West Side Workers Welfare Association; Workers Committee of Milwaukee Co.; Workers Committee on Unemployment; Workers Council of Kenton County; Workers Protective Association of Lancaster, Pa.; Workers Union of the World; Workers Protective Union of Ohio.

FRATERNAL ORGANIZATIONS

American Ass'n Fort Duquesne Lodge; American Democratic Club; American Lithuanian Literary Ass'n; American Lithuanian Workers Ass'n; Association Bolesevs the Great; Association of Lithuanian Workers (L. D. S.); Bricklayers Progressive Benevolent Club; Bridesburg Polish Club; Bohemian Sick and Death Benefit; Brotherhood Hebrew Painters Aid Ass'n; Bulgarian Macedonian Federation; Campo; Carteret Hungarian Federation; Columbus Italian Citizens Club; Columbus Hungarian (Columbus, Ohio); Societa' Concordia Partinus; Croatian Fraternal Union; C. S. P. J. Grand Lodge; Czech Catholic Society of Ohio; Czech Progressive Federation; Czech-Slovak Society of America, Buffalo; Czech Society of America, Grand Lodge of Ohio; Czechoslovak Fraternal Federation, Hillside, N. J.; First Aid Hungarian Sick Benefit Society; Federation of Italian Societies, East Buffalo; Federation of Italian Societies; Finnish Literary Federation; Finnish Workers Federation; Finnish Workers Federation, Youth Section; George Washington, Betegsezodroz; German Sick and Death Benefit; Hungarian Aid Society; Hungarian Association of Trenton; Haulick of Buffalo, Buffalo, N. Y.; Hungarian Church and Social Federation; Hungarian Federation of Culture; Hungarian Reformed Church; Hungarian St. James Society; Hungarian Workers Federation of Ohio; I. A. G. T. Traja No. 17; Ind. Order of Good-Templars, Burnside, Conn.

Independent Order Sons of Italy; International Workers Order (215 delegates representing 50 cities); Italian Progressive Institute; Jewish National Workers Alliance; J. S. K. J.; Karvygospar and Hungarian Workers Federation; Kossuth Association; Kracsin-Fraternal—Sussardi; Kranken Unterstutzung Verein; Lemko Association; Lidumila J. C. D.; Lithuanian No. 29 Supreme Lodge; Lithuanian Workers Order; Lithuanian Workers Society; Lithuanian Sons and Daughters; Lodge of Daughters of Liberty; Lodge of Sobe-Slavia; Lodge 202 F. Union; L. S. L. A. Supreme Lodge; Magyar Home; Mansfield Liederkrantz; Masonic Lodge; Mutalista Obrera Mexicana; National Slovak Society; National Slovak Society Supreme Lodge; No. 3555—Oddziat—Marchewski; Phila. Hungarian Singing; Polish American Citizens League of Pennsylvania; Polish American Youth League; Polish Chamber of Labor; Polish Crown Ass'n;

Polish Peoples Home Ass'n.; Polish White Eagles; Polish Workmen's Aid Federation of Ohio.

Polonja Society; Rakozi Benefit Ass'n.; Rovnort—Benefit—Baltimore; Russian-American Citizens Ass'n.; Russian Benevolent Society; Russian National Mutual Aid Society; Serbian National Alliance; Scandinavian Workers Unity League; Sick Benefit Aid Ass'n.; Sick Benefit Society; Slavist Lodge; Slovak Ass'n of Trenton; Slovak Evangelical Union, A. C. of America; Slovak National Benefit Society; Slovak Women's Club; S. N. P. J.; S. N. P. T.—T. S. K. J.—Export, Pa.; S. P. J. (Martha Washington Branch); S. S. C. N. of A., Trinidad, Colo.; Society of Fara S. Martino; Society of Old Czech Colonists; Sons of Italy Grand Lodge; Society Uniti Italy; Socitia Phillippo Paligsiodi-vasto; South Slav Fraternal and Cultural Organizations; Trenton-Hungarian Businessmen's Ass'n; T. Y. M. Benevolent Ass'n; Ukranian Society Bukovina; Ukranian Workmen's Ass'n; United Czechoslovak Society; United Hungarian Societies; United Russian League; United Ukranian Toilers; Villma Sokolova Y. J. C. D.; Vytaut Lithuanian Benefit Society; Workmen's Circle; Workmen's Sick and Death Benefit Fund.

(Lack of time and space prevents a listing of each local as of these various unions and Fraternal bodies. Such a listing is being prepared and will be subsequently published.)

AGRICULTURAL AND FARM ORGANIZATIONS

Farm Holiday Association; Farmers National Committee for Action; Farmers National Weekly; Free Acres Association; National Conference Agricultural, Lumber and Rural Workers; Ohio Farmers League; United Farmers League; United Farmers Protective Association.

COOPERATIVES

Associated Cooperative Trading Ass'n.; Central Council Cooperative Ass'n.; Consumers' Tradesmens Labor League; Farmers Cooperative Merchants Ass'n; Hungarian Workers Home; South Carolina Barter Exchange; Workers Colony Corporation, Bronx; Workers and Farmers Cooperative Unity.

CHURCH AND CIVIC ORGANIZATIONS

Anathot Spiritual Church; Baptist Church of Washington, D. C.; Father Divine's Peace Mission; First Hungarian Baptist Church; Holy Ghost Assembly of Moon Run, Pa.; Hungarian Baptist Church, Cleveland, Ohio; Hungarian Reformist Church; Rocco (Church) Benefit Society; United Church Societies of Farrell, Pa.; Y. W. C. A. of Washington, D. C.; Y. W. C. A. Nursery School of Charleston, W. Va.; Y. W. C. A. Industrial Dept. of Pennsylvania.

CULTURAL ORGANIZATIONS AND CLUBS

Aida Chorus and LDS; Allentown Workers Club; Ardelan Social Club; Armenian Workers Club; Balkan Workers Club; Boro Park Cultural Club; Bridge Plaza Workers Club; Bronx Park Center; Bronx Workers Club; Brownsville Workers Center; Bulgarian Workers Club; Canarsie Youth Club; Chilean Workers Club; Cli Grand Youth Club; Columbus Italian City Club; Croatian Workers Club; Culture Club; Czech Democratic Club; Downtown Workers Club; East New York Workers Club; Estonia Workers Club; Fellow Craft Club; Finnish Workers Club; Fraternal Athletic Society; Freiheit Gesangs Ferein; German Painters Club; Grand Workers Club; Greek Workers Educational Club; Harlem Jewish Workers Club; Harlem Needle Workers Club; Harmonica Polish-American Citizens Club; Hinsdale Workers Club; Hungarian Singing Society of Ohio; Irish Workers Club; Italian American Club; Italian Workers Center; Jewish Cultural League; Jewish Educational Club; John Reed Clubs; Jugoslav Club; Lithuanian Club; Lithuanian Music Hall Ass'n; Lithuanian Workers Club; Middle Bronx Workers Club; Mosholu Progressive Club; New Dance Group; New England Youth Clubs; Obrana Readers Clubs; Pen and Hammer; Phoenix Park Club; Pierre Degeyter Club; Polish Workers Club; Proletpen; Prospect Workers Club; Roosevelt Workers Club; Roumanian Club; Round Table Discussion Club; Roxbury Civic Club; Roxbury Workers Club; St. Paul Workers Club; Scandinavian Workers Club; Social Labor Club; Spanish Workers Center; Spanish Workers Club; Spanish Workers League; Spartacus Workers Club; Tampa Workers Club; Turkish Workers Club; West Side Workers Club; Williamsburg

Workers Club; Workers Chorus of Philadelphia; Workers Cultural Club; Workers Cultural League; Workers Self-Educational Club; Workers Social League of Massachusetts; Zukunft Workers Club.

EDUCATIONAL

Affiliated School for Workers; Alumnae Association of Bryn Mawr Summer School of Women Workers; Benedict College Club; Commonwealth College; Easton Labor College; Fellowship House; Hunter College Bulletin; Jewish High School; Labor Research Association; New York City Summer School for Workers; New World Educational Association; Parents Association Bronx House; Parent Teachers Association of P. S. No. 60; Steinmetz Club of Cooper Union; The Workers School; Washington Irving Evening School; West Virginia Labor Summer Schools.

NEGRO ORGANIZATIONS

Baltimore Urban League; Baltimore Workers League; Industrial Dept. Federation of Colored Women; Joint Committee on National Recovery; League of Struggle for Negro Rights; National Negro League Council; National Urban League; New Negro Alliance; Warren Urban League; Young Women's Christian Association.

PROFESSIONAL GROUPS

Artists Association; Artists Union; Council of Allied Professionals; Dental Society; Economic Federation of Dentists; International League of Writers; League of Allied Medical Professions; Medical Society of Bronx County; Music Teachers Association; National Film and Photo League; Nursery School League; Playwrights Association; United Artists League; Teacher's Discussion Group; Theatre Collective.

PROMOTIONAL ORGANIZATIONS

A. F. L. Trade Union Committee for Unemployment Insurance; American Association of Social Workers; Association of Brooklyn Federation Workers; Association of White Collar Workers; Association of Workers in Social Agencies; Central Registration Bureau of C. W. A.; Czechoslovak Association for Unemployment Insurance; Fraternal Federation for Social Insurance; Interprofessional Association for Social Insurance; Italian Organizations for Social Insurance; Italian Society for Social Insurance of Pennsylvania; Jewish Conference for Social Insurance of Pennsylvania; Jewish United Front Committee for Social Insurance; Yugoslav Association for Unemployment Insurance; New York Association of Federation Workers; Northumberland Inter-County Organization for Unemployment Insurance; Social Workers Discussion Club; Slovak Fraternal Federation for Social Insurance; University Settlement Rank and File; Workers Unemployment Insurance Club.

SOCIAL SERVICE AND SETTLEMENT HOUSE WORKERS

Alma Mathews House; Birth Control Federation; Bronx League for the Protection of Children; Graduate School for Jewish Social Work; Harlem House; Hebrew Orphan Asylum; Hebrew Sheltering and Guardian Society; Jewish Social Service Association; Jewish Board of Guardians; Lavenberg House; League for the Protection of Children; Psychological Exchange; Westley Everest.

TENANT AND SMALL HOME OWNERS ORGANIZATIONS

Austin Property Owners Protective Association; City Federation Garden Club; Knickerbocker Village Tenants Asso's; Tenants Asso's, 2830 Olinville Ave., Bronx, N. Y.; Small Home and Land Owners of New Jersey; Small Home Owners Federation of Illinois; Small Home and Land Owners Federation of Ohio.

UNITED FRONT CONFERENCES AND NEIGHBORHOOD MEETINGS

Alliance of Lithuanian Organizations of New Jersey; Bergen County Conference for Unemployment Insurance; Bronx Neighborhood Sponsoring Committee; Chicago Conference Lithuanian Citizens; Conference of Jewish Organizations; Conference of Russian Organizations; Conference of Lithuanian Benefit Societies of Pennsylvania; Conference of Hungarian Fraternal Organizations of Corapolis, Pa.; Conference of Fraternal Organizations of Monnessen, Pa.; Conference of 52 Organizations of Ohio; Conference of Croatian Organizations of Pittsburgh; Conference

of Polish Organizations of New Jersey; Connecticut Local Convention; Czech United Front Committee of 82 Organizations; Czecho Workers Organizations; Czechoslovak Action Committee; East Side Neighborhood Association; Finnish United Front Committee; Fitchburg Conference; General Conference of Buffalo; Greek Federation; Hancock United Front; Hungarian Conference of Buffalo; Hungarian United Front of Columbus; Hungarian United Front of Milwaukee; Hungarian Association of Carteret; Italian United Front of Ohio; Jewish Workers Clubs of Chicago; Jewish Conference of Cleveland, Ohio; Lithuanian Unity Conference; Long Island Sponsoring Committee; Mass Meeting of Coney Island; Millinery United Front; Mass Neighborhood Meeting of Philadelphia; Middle Village Sponsoring Committee New York City; Mount Eden Sponsoring Committee; Neighborhood Committees of Action; Neighborhood Group 14 and 15, New York City; New Jersey Sponsoring Committee; New York City Sponsoring Committee; 180th Street Sponsoring Committee; Polish United Front Conference; and Polish United Front of Providence.

Roumanian Conference Organizations; Russian Workers Organizations; Scandinavian Workers Unity League; South Slav United Front of Ohio; Slovak Workers United Front of Wisconsin; Sponsoring Committee of Columbus; Sponsoring Committee of Philadelphia; United Front Conference of Chicago; United Front Czech Organizations; United Front Conference of Jamestown; United Jewish Fraternal Committee; United Front Conference of Cleveland; United Front Conference of Bridgeport, Ohio; United Front of Finnish Organizations of Cleveland; United Front of Hungarian Organizations of Dayton, Ohio; United Front of Hungarian Organizations of Lehigh Valley; United Front of Hungarian Organizations of Allentown; United Action Committee of Erie; United Front of Slovak Organizations of Throop, Pa.; United Czechoslovakian Organizations of Penna.; United Lithuanian Organizations of New Jersey; United Front of German Societies of Wisconsin; United Slovak Church Organizations of Wisconsin; United Front Conference of Polish Organizations of Ohio; Ukrainian United Front of Pennsylvania; Washington Arrangements Committee; Westchester Mass Meeting; West End Sponsoring Committee.

VETERAN GROUPS

American Legion Post 108; 33rd Division of National Guard; Veterans Rank and File Committee; Voters Veteran League; Workers Ex-servicemen's League.

WOMEN'S ORGANIZATIONS

Czech Ladies' Club (Grand Lodge); Daughters of Armenia; Finnish Women's Workers Clubs; Finnish Working Women; Glenville Council Women's Federation; Jewish Mothers Council; Ladies' Auxiliary of Unemployed League of Allentown, Pa.; Ladies' Auxiliary of Unemployed League of Bethlehem, Pa.; Slovak Women's Club; United Council of Working Class Women; Women's Auxiliary of C. W. A. Union; Women's League of Philadelphia; Working Women's Committee; Working Women of Hamtramch.

YOUTH AND STUDENT

American Youth Congress; Chicago University National Students League; Hunter College Liberal Club; Liberal Club of George Washington University; Politics Club of the College of the City of New York; University of Virginia National Students League; University of Wisconsin National Students League; Young Communist League.

MISCELLANEOUS ORGANIZATIONS

American League against War and Fascism; Armenian Workers Organization; Comite Pro Porto Rico; Committee for Protection of Foreign Born; Committee for Support of Southern Textile Workers; Correspondents for Canadian Workers Press; Crusader News Service; Friends of the Soviet Union; Icor; International Labor Defense; Joint Conference Against Discrimination; Labor Advancement Association; National Committee for the Defense of Political Prisoners; Nature Friends; Philippine Anti-Imperialist League; Porto Rican Anti-Imperialist League; Polish Chamber of Commerce; The Press League; Red Builders; Tom Mooney Defense Committee; United Front Supporters; Workers Defense Committee; Workers International Relief.

Estimates of funds available for unemployment and social insurance

[All figures in thousands]

	1933	1932	1928
I. Source:			
Individual income ¹	\$1, 129, 277	\$1, 127, 773	\$5, 787, 068
Estate tax, 50 percent of gross.....	1, 030, 478	1, 415, 194	1, 777, 135
Corporate tax, net income 25 percent ²	626, 520	538, 278	2, 615, 273
Corporate tax, net surplus, 25 percent ³		9, 019, 881	11, 789, 046
Expenditures on war preparations.....	⁴ 750, 000		
Total		12, 101, 126	21, 968, 522
II. Individual income ¹.....	1, 129, 277	1, 127, 773	5, 787, 068
Estate tax, 75 percent of gross.....	1, 545, 717	2, 122, 791	2, 665, 701
Corporate tax, net income, 25 percent ²	626, 520	538, 278	2, 615, 273
Corporate tax, net surplus, 30 percent ³		10, 823, 858	14, 146, 855
Expenditures on war preparations.....	2, 000, 000		
Total		14, 612, 700	25, 214, 897

¹ Estimated on graduated scale approximating British tax rate but higher than the British rate for incomes from \$500,000 to \$5,000,000.

² This should be a graduated tax averaging 25 percent.

³ Surplus and undivided profits less deficit: 1932, 36,079 millions; 1928, 47,156 millions.

⁴ As of Aug. 1, 1934.

TAX INCOME, 1928

	Total net income reported	Tax rate	Revenue available
I. INDIVIDUAL RETURNS			
Income classes:		<i>Percent</i>	
\$5,000-\$10,000.....	\$4, 282, 520, 000	16	\$685, 203, 000
\$10,000-\$15,000.....	1, 953, 395, 000	22	429, 747, 000
\$15,000-\$20,000.....	1, 218, 787, 000	24	292, 509, 000
\$20,000-\$25,000.....	865, 670, 000	30	259, 701, 000
\$25,000-\$50,000.....	2, 326, 503, 000	35	814, 276, 000
\$50,000-\$100,000.....	1, 857, 878, 000	40	743, 151, 000
\$100,000-\$250,000.....	1, 745, 403, 000	45	785, 431, 000
\$250,000-\$500,000.....	926, 079, 000	55	509, 343, 000
\$500,000-\$1,000,000.....	670, 861, 000	65	436, 060, 000
\$1,000,000-\$5,000,000 and over.....	1, 108, 863, 000	75	831, 647, 000
Total available			5, 787, 068, 000
Tax collected			1, 164, 254, 000
Additional revenue			4, 622, 814, 000
II. CORPORATION RETURNS			
Income classes:			
Under \$1,000-\$2,999.....	181, 420, 000	10	18, 142, 000
\$3,000-\$4,999.....	119, 482, 000	15	17, 922, 000
\$5,000-\$9,999.....	211, 525, 000	25	52, 881, 000
\$10,000-\$24,999.....	467, 605, 000	25	116, 901, 000
\$25,000-\$99,999.....	1, 055, 074, 000	25	263, 768, 000
\$100,000-\$499,999.....	1, 753, 943, 000	25	438, 485, 000
\$500,000 under \$1,000,000.....	898, 405, 000	25	224, 601, 000
\$1,000,000 under \$5,000,000.....	2, 119, 926, 000	25	529, 981, 000
\$5,000,000 and over.....	3, 810, 359, 000	25	952, 589, 000
Total			2, 615, 273, 000
Tax collected			1, 184, 000, 000
Additional returns			1, 431, 273, 000

Returns of corporations submitting balance sheets, 1928 (all returns): ¹

Tax-exempt securities.....	\$10, 116, 160, 404
Surplus.....	52, 069, 292, 140
Net surplus (after deduction of deficit).....	47, 156, 183, 422

¹ Statistics of Income, 1928, p. 32.

Estimates of funds available for unemployment and social insurance—Continued

TAX INCOME, 1932

	Total net income reported	Tax rate	Revenue available
I. INDIVIDUAL RETURNS			
Income classes:		<i>Percent</i>	
\$5,000-\$10,000.....	\$1,677,039,000	16	\$268,326,000
\$10,000-\$15,000.....	595,573,000	22	131,026,000
\$15,000-\$20,000.....	329,512,000	24	79,083,000
\$20,000-\$25,000.....	235,312,000	30	70,594,000
\$25,000-\$50,000.....	629,638,000	35	220,373,000
\$50,000-\$100,000.....	393,296,000	40	157,282,000
\$100,000-\$250,000.....	216,625,000	45	97,481,000
\$250,000-\$500,000.....	73,747,000	55	39,561,000
\$500,000-\$1,000,000.....	57,874,000	65	37,618,000
\$1,000,000-\$5,000,000 and over.....	35,239,000	75	26,429,000
Total available.....			1,127,773,000
Income tax collected.....			324,745,000
Additional revenue.....			803,028,000

II. CORPORATE RETURNS

1. Returns of corporations submitting balance sheets for 1932 (all returns): ¹	
Cash (in full or deposits in bank).....	\$15,917,202,000
Investments, tax-exempt.....	11,916,864,000
Investments other than tax exempt.....	75,630,257,000
Surplus and undivided profits.....	45,663,746,000
Net surplus (less deficit of \$9,584,221,000).....	36,079,525,000
2. Returns of corporations showing net income (1932):	
Total gross income.....	³ 31,707,963,000
Total net income.....	² 2,153,113,000
Income tax.....	⁴ 245,689,000

¹ Statistics of Income, 1932, p. 160.² Statistics of Income, 1932.³ Revised figure as given in Statistics of Income, 1933, preliminary report.

TAX INCOME, 1933

	Total net income reported	Tax rate	Revenue available
I. INDIVIDUAL RETURNS			
Income classes:		<i>Percent</i>	
\$5,000-\$10,000.....	\$1,477,827,000	16	\$236,452,000
\$10,000-\$15,000.....	559,850,000	22	123,167,000
\$15,000-\$20,000.....	310,246,000	24	74,459,000
\$20,000-\$25,000.....	226,778,000	30	68,033,000
\$25,000-\$50,000.....	621,182,000	35	217,414,000
\$50,000-\$100,000.....	394,766,000	40	157,906,000
\$100,000-\$250,000.....	240,681,000	45	108,306,000
\$250,000-\$500,000.....	81,253,000	55	44,689,000
\$500,000-\$1,000,000.....	59,511,000	65	37,682,000
\$1,000,000-\$5,000,000 and over.....	81,559,000	75	61,169,000
Total.....			1,129,277,000
Tax collected.....			372,968,000
Additional revenue.....			756,309,000

II. CORPORATION RETURNS

Total net income reported.....	\$2,506,078,279
Income tax.....	347,649,990
Excess-profits tax.....	6,266,721
Total.....	³ 353,916,261

³ 14.1 percent.

Estimates of funds available for unemployment and social insurance—Continued

ESTATE TAX

	Jan. 1-Dec. 31, 1928	Jan. 1-Dec. 31, 1932	Jan. 1-Dec. 31, 1933
Gross estate.....	\$3,554,270,000	\$2,830,388,000	\$2,060,956,000
Tax paid.....	\$41,959,000	\$23,674,000	\$61,415,000
Percent to gross.....	1.1	0.8	2.9
Net estate.....	\$1,992,503,000	\$1,423,437,000	\$828,302,000
Tax paid.....	\$41,959,000	\$23,674,000	\$61,415,000
Percent to net.....	2.1	1.7	7.4

REVENUE AVAILABLE

	Average 25 percent	Average 50 percent	Average 75 percent
Gross estate:			
1928.....	\$888,567,000	\$1,777,135,000	\$2,665,701,000
1932.....	707,597,000	1,415,194,000	2,122,791,000
1933.....	515,239,000	1,030,478,000	1,545,717,000
Net estate:			
1928.....	498,126,000	996,252,000	1,494,378,000
1932.....	355,859,000	711,718,000	1,067,577,000
1933.....	207,075,000	407,100,000	621,225,000

Comparison of income tax (married person, no dependents, all income from salary)

[Conversion units: 1 pound=\$4.86; France, 1 franc=\$0.0392; Germany, 1 mark=\$0.2382]

	Percent of tax to net income			
	United States	Britain	France	Germany
\$1,000.....	0	0.88	3.38	7.90
\$2,000.....	0	5.57	8.51	15.84
\$3,000.....	0.07	10.38	12.20	18.11
\$5,000.....	2.0	14.22	17.15	21.59
\$7,500.....	3.4	16.29	22.02	26.02
\$10,000.....	4.8	18.62	25.25	29.89
\$15,000.....	6.8	22.95	31.26	34.46
\$25,000.....	10.08	29.47	38.04	39.78
\$50,000.....	17.20	39.30	47.43	45.13
\$100,000.....	30.10	48.10	53.65	47.44
\$500,000.....	52.72	61.58	53.93	49.49
\$1,000,000.....	57.11	63.91	53.97	49.74

Source: New Republic, Jan. 24, 1934.

Comparison of death taxes in the United States and Great Britain (entire estate to widow)

[Source: Preliminary report of Subcommittee of the Committee on Ways and Means, relative to Federal and State taxation and duplication therein (1933), p. 237]

	United States	Great Britain
\$1,000.....	0	1
\$5,000.....	0	3
\$10,000.....	0	3
\$15,000.....	0	3
\$25,000.....	0	4
\$50,000.....	0	5
\$100,000.....	1.5	9
\$150,000.....	3.33	12
\$200,000.....	4.75	14
\$300,000.....	6.50	17
\$400,000.....	7.62	19
\$500,000.....	8.50	21
\$600,000.....	9.25	23
\$800,000.....	10.56	25
\$1,000,000.....	11.75	27
\$2,000,000.....	15.77	33
\$3,000,000.....	18.45	37
\$5,000,000.....	22.99	41
\$10,000,000.....	30.94	51

Conversion: £1=\$4.86.

ESTIMATES OF COST OF WORKERS' UNEMPLOYMENT, OLD AGE, AND SOCIAL INSURANCE BILL

The following estimates have been prepared by the research section of the Interprofessional Association for Social Insurance, Dr. Joseph M. Gillman, chairman (economist and lecturer, New York). They should be read in connection with the statistical material presented by Dr. Gillman in his testimony on H. R. 2827 before the House Committee on Labor on February 4, 1935.

To determine the cost of the social insurance which would be provided in H. R. 2827 requires several estimates, which should be used with caution. In the first place, the United States has no current basis for ascertaining accurately the number of the unemployed. This point is discussed and amplified both in Dr. Gillman's testimony just cited and in the testimony filed by the national chairman of the Interprofessional Association for Social Insurance (Mary Van Kleeck) with the House Committee on Labor on February 5, 1935. In lieu of exact data, the best possible estimate has been made, but it should be pointed out that it is the procedure of making the estimate which should be studied, rather than the exact figures. The extent of unemployment changes from time to time, and therefore the figure used today might not be true a month later.

The second and more important point requiring caution relates to the estimate of the effect of social insurance upon purchasing power, and its consequent results in decreasing the amount of unemployment. This point will be discussed more fully later in this foreword, but it should be clear at once that no experience in this country is available to indicate the extent to which an increase in consumers' purchasing power for those in the lower income groups would stimulate production and increase employment.

Having in mind these cautions, it may be said at once that if there be 10,000,000 unemployed, the annual gross cost, after taking care otherwise of those who should receive old-age pensions and those who are unemployed because of sickness or disability, and eliminating those under 18 years of age, to whom the workers' bill does not apply, would be \$6,986,000,000. Deducting from this the estimated decrease in the cost of unemployment insurance on account of the reemployment of workers following the establishment of a social-insurance program—\$5,340,000,000—and adding to it the cost of old-age pensions, sickness, disability, and accident insurance and maternity insurance, and deducting present annual expenditures for relief amounting to \$3,875,000,000, we would have a net annual increase for the Federal Government imposed by the provisions of the workers' bill amounting to \$3,561,000,000.

If the number of unemployed be equal to the average number estimated by us as unemployed in 1934, as 14,021,000, then the annual net increase in cost, after deducting present expenditures for relief and estimating the reemployment which would follow adequate social insurance, would be \$5,036,000,000.

If for safety's sake no estimate be made of decrease of cost through reemployment, there would have to be added to this net cost the sum of \$7,554,000,000 if there be 14,000,000 unemployed, or \$5,340,000,000 if there be 10,000,000 unemployed.

In all these figures it is necessary to point out that the estimates of cost are merely an indication of the present annual loss suffered by the workers of America through unemployment for the various hazards covered by the workers' bill.

It should be pointed out that for any given number of unemployed it is necessary to go through the process of calculation followed in these two estimates. It is not possible merely to divide costs per million, since, for example, the cost of old-age pensions would not be proportionate to the total number of the unemployed. What has been done in these estimates is to attempt to show what factors enter in, always with the understanding that much of the data must represent a guess, without adequate statistical basis. There is urgent need for the taking of a current census of the unemployed.

It has already been pointed out that the great unknown is the effect which a social-insurance program would have upon reemployment. In making the estimates which follow, it is assumed that the entire amount of benefits paid under the workers' bill would appear in the market as new purchasing power. Of this total, 60 percent, according to the calculation shown, would become available as wages and salaries. On the basis of given average wages and salaries, it can be estimated how many persons could be reemployed, and this would result in a corresponding decrease in the number of unemployed eligible for benefits and, therefore, in a reduction of costs.

Thus we arrive at the following figures:

On the basis of 14,000,000 as the number of unemployed, the annual gross cost of the workers' bill would amount to \$16,465,000,000. From this sum should be deducted the \$3,875,000,000 currently, in 1934, spent by various governmental agencies to relieve unemployment and in payment of old-age and other benefits to the dependent classes. That leaves a total of \$12,590,000,000 as the net benefits under the workers' bill. This sum, as new purchasing power, would provide \$7,554,000,000 as new pay rolls and reemployment—60 percent of \$12,590,000,000. This leaves a balance of \$5,036,000,000 as the sum that would have to be provided, in addition to current expenditures for relief to meet the cost of unemployment insurance, old-age pensions, etc., counting 14,000,000 as the number of unemployed today.

On a basis of 10,000,000 unemployed, that sum would be \$3,561,000,000, which, together with present expenditures for relief, would add up to \$7,436,000,000 as the total cost of the program called for under H. R. 2827.

Once more, however, note should be taken of the uncertainty in the allowance made for the amount of reemployment that might follow the adoption of the workers' bill. The allowance made assumes an amount of reemployment in proportion to the amount of new purchasing power thus made available. Thus it is assumed that every dollar paid as benefits under the workers' bill would go wholly to the market as new purchasing power for consumers' goods. But it is conceivable that a goodly portion of these sums might go to pay debts, and some smaller fractions might go into hiding for a "rainy day." Again, it is calculated that for every dollar paid out in benefits 60 cents would turn up in the form of new wages and salaries. Only to the extent that this may be true may we expect the return to work of a proportionate number of the unemployed.

But there is no way of telling whether reemployment to this extent may be expected under present-day circumstances. In the first place, we have not taken into account the amount of commodity stocks on hand and how rapidly they would be used up and how soon workers would have to be put back to work to increase and replenish them.

In the second place, there is no way of estimating with any degree of accuracy the extent of industrial rationalization and technological advance that have taken place in this country in the course of the past 6 years of depression. According to recent findings of the National Industrial Conference Board (bulletin of Dec. 10, 1934), compared to the 1923-25 average, current pay rolls stood, in October last, at 60 percent, employment at 78.6 percent, and output per man-hour at 129.5 percent. This means that for the sampling industries covered in the National Industrial Conference Board survey, 61 workers can now produce as much as 100 did 10 years ago. Thirty-nine percent of the workers must now remain unemployed or find employment in new occupations. A similarly distressing situation was recently reported by the division of research and planning of the National Recovery Administration as existing in the automobile industry.

Our estimates of the amount of reemployment, therefore, must be taken as purely mathematical and should be considered mainly as illustrations of possibilities rather than as probabilities.

Finally, our estimate of total costs of the program for social insurance under the workers' bill should be compared with the amount the workers have lost in wages and salaries since the beginning of the depression. According to estimates published in the Survey of Current Business for January 1935, page 17, total income paid out to labor since 1929 was as follows (in millions):

	1929	1930	1931	1932	1933
Total income.....	\$52, 700	\$48, 400	\$40, 700	\$31, 500	\$29, 300
Loss from 1929.....		4, 300	12, 000	21, 200	23, 400

And the total loss in the first 4 years of the depression has amounted to \$60,900,000,000. It is with these huge losses sustained by American workers during these 4 years that the costs of security provided by the workers' bill, H. R. 2827, should be compared.

ESTIMATES OF COST OF WORKERS' UNEMPLOYMENT, OLD AGE, AND SOCIAL INSURANCE BILL

(Prepared by Research Section of Interprofessional Association for Social Insurance for hearings before House Committee on Labor with reference to Workers' Unemployment, Old Age, and Social Insurance bill, H. R. 2827, February 1935)

NOTE.—Two estimates have been prepared: A relates to a hypothetical unit of 10,000,000 unemployed; B is calculated for the current estimate of average unemployment in 1934, namely, 14,021,000, the details of which were entered into the record of proceedings before the House Committee on Labor, February 4, 1935, by Joseph M. Gillman, economist, on behalf of the Interprofessional Association for Social Insurance.

Estimate A

Number of persons unemployed (hypothetical).....	10,000,000
Deductions:	
1. Estimated number of unemployed under 18 years of age (basis 1930 census).....	320,000
2. Estimated number of unemployed who will replace workers 65 years of age and over retiring on old-age pensions.....	2,250,000
3. Estimated number unemployed because of sickness or disability.....	250,000
	<hr/> 2,820,000
Balance of unemployed.....	<hr/> 7,180,000
I. Annual cost of unemployment insurance (7,180,000 by \$973).....	\$6,986,000,000
II. Estimated decrease on account of reemployment of workers, following establishment of social-insurance program.....	5,340,000,000
III. Annual net cost of unemployment insurance.....	1,646,000,000
IV. Annual cost of old-age pensions.....	4,535,000,000
V. Annual cost of sickness, disability, and accident insurance.....	1,200,000,000
VI. Annual cost of maternity insurance.....	55,000,000
VII. Total annual cost.....	<hr/> 7,436,000,000
VIII. Present annual expenditures.....	3,875,000,000
IX. Annual net increase in cost.....	<hr/> 3,561,000,000

Estimate B

Average number of persons unemployed in 1934, all ages.....	14,021,000
Deductions:	
1. Estimated number of unemployed under 18 years of age (basis, 1930 census).....	550,000
2. Estimated number of unemployed who will replace workers 65 years of age and over retiring on old-age pensions (see p. 4)....	2,250,000
3. Estimated number of unemployed because of sickness or disability (see p. 6).....	250,000
	<hr/> 3,050,000
Balance of unemployed.....	<hr/> 10,971,000
I. Annual cost of unemployment insurance (10,971,000 by \$973).....	\$10,675,000,000
II. Estimated decrease on account of reemployment of workers, following establishment of social-insurance program.....	7,554,000,000

Estimate B—Continued

III.	Annual net cost of unemployment insurance.....	\$3, 121, 000, 000
IV.	Annual cost of old-age pensions.....	4, 535, 000, 000
V.	Annual cost of sickness, disability, and accident insurance (see p. 7).....	1, 200, 000, 000
VI.	Annual cost of maternity insurance.....	55, 000, 000
VII.	Total annual cost.....	8, 911, 000, 000
VIII.	Present annual expenditures.....	3, 875, 000, 000
IX.	Annual net increase in cost.....	5, 036, 000, 000

Estimated annual wage loss of unemployed

[Based on average annual wage and salary rates for 1932 in National Income Report ¹]

Industry	1934 unemployment table								
	Unemployed (in thousands)			Annual wage or salary			Loss of earnings (in millions)		
	Wage earners	Salary earners	Not classified	Wage earners	Salary earners	Not classified	Wage earners	Salary earners	Not classified
Agriculture.....	1, 847			² \$648			\$1, 196. 9		
Mines and quarries.....	231	18		909	\$2 210		210. 0	\$39. 8	
Electric light and power and manufactured gas.....			73			\$1, 339			
Manufacturing.....	2, 345	643		876	2, 241		2, 054. 2	1, 441. 0	
Construction.....	959	108		1, 151	2, 297		1, 103. 8	248. 1	
Transportation.....			1, 409			1, 409			
Communication.....			253			1, 320			
Wholesale and retail.....		2, 200			1, 245			2, 739. 0	
Finance.....		427			1, 958			836. 1	
Government:									
(a) Exclusive of public education.....		99			1, 477			146. 2	
(b) Public education.....		185			1, 400			259. 0	
Service:									
(a) Recreation.....			208			1, 382			\$287. 5 ³
(b) Personal.....			460			1, 045			480. 7
(c) Domestic.....			1, 123			670			752. 4
(d) Professional.....			373			1, 416			528. 2
(e) Miscellaneous.....			79			1, 105			187. 3
Miscellaneous industries.....			871			1, 285			1, 119. 2
Total.....	5, 382	3, 680	4, 849				4, 564. 9	5, 709. 2	3, 255. 3
Total wage and salary loss.....								\$13, 529, 400, 000 ³	
Unemployed entrepreneurs.....			³ 110					107, 000, 669 ³	
Total.....								13, 633, 400, 000 ³	
Average loss.....								973 ³	

¹ 73d Cong., 2d sess., S. Doc. 124, National Income, 1929-32.² 1929 rate; 1932 rate only \$352.³ At annual average loss \$973.

- I. (a) Number of persons aged 65 and over (1930 Census)..... 6, 634, 000
 (b) Estimated number of persons aged 65 and over in 1934
 (Report of President's Committee on Economic Security,
 p. 24)..... 7, 500, 000³
- II. (a) Number of persons aged 65 and over, gainfully occupied
 (1930)..... 2, 205, 000
 (b) Estimated number of persons aged 65 and over who were
 gainfully occupied in 1934 (average)..... 2, 500, 000
 NOTE.—II (b) to II (a) in same ratio as I (b) to I (a).
- III. (a) Estimated number of gainfully occupied persons who would
 be eligible to retire upon enactment of the Workers' Bill... 2, 250, 000³
 NOTE.—10-percent allowance for entrepreneurs of substantial means (U. S. Census estimate, letter to committee, I. P. A. 12/3/34).

IV. (a) Nongainfully occupied persons aged 65 and over (I (b)–II (b))	5, 000, 000
(b) Estimated number eligible for old-age pensions (males, 1,422,000; females, 3,078,000)	4, 500, 000
NOTE.—10-percent allowance for those of substantial means.	
V. ¹ (a) Number of gainfully occupied persons in III (a) (2,250,000) plus husbands or wives aged 65 and over (777,000, V (e) ÷ V (g)) (V (b) ÷ V (c) ÷ V (e) ÷ V (g))	3, 027, 000
(b) Gainfully occupied males (less entrepreneurs)	1, 950, 000
(c) Gainfully occupied females	300, 000
(d) Gainfully occupied males, married	1, 242, 000
(e) Gainfully occupied males, married, whose wives are 65 and over (assumed not gainfully occupied)	673, 000
(f) Gainfully occupied females, married	104, 000
(g) Gainfully occupied females, married, whose husbands are 65 and over (assumed not gainfully occupied)	104, 000
VI. ¹ (a) Balance of married persons among nongainfully occupied (d) + (e)	1, 237, 000
(b) Balance of males, 1,422,000 – 104,000 (IV (b) – V (g))	1, 318, 000
(c) Balance of females, 3,078,000 – 673,000 (IV (b) – V (a))	2, 405, 000
(d) Married males in VI (b)	802, 000
(e) Married males in VI (b) whose wives are 65 and over	435, 000
	<u>1, 237, 000</u>

Of the 4,500,000 in IV (b) these have been accounted for:

(1) Wives, 65 and over, of gainfully occupied males (assumed not gainfully occupied) (V (e))	673, 000
(2) Husbands, 65 and over, of gainfully occupied females (assumed not gainfully occupied) (V (g))	104, 000
(3) Balance nongainfully occupied males 65 and over, married (VI (d))	802, 000
(4) Balance nongainfully occupied females 65 and over, married (VI (e))	435, 000
Not yet accounted for:	
(5) Nongainfully occupied widows, widowers, divorced, single persons, aged 65 and over	2, 486, 000

Annual cost of old-age pensions

A. Number of gainfully occupied workers aged 65 and over, eligible for old-age pensions at annual average rate of \$1,200 per annum (\$1,199 average annual rate, 1932, 1929–32 national income)	2, 250, 000
B. Number of married couples nongainfully occupied, husband or both 65 or over annual pension, \$676 (\$10 plus \$3 per week)	802, 000
C. Number of unmarried persons 65 or over (annual pensions, \$520 (\$10 per week))	2, 486, 000
Cost of A	\$2, 700, 000, 000
Cost of B	542, 000, 000
Cost of C	1, 293, 000, 000
Total	<u>4, 535, 000, 000</u>

¹ All figures in V and VI are estimated from ratios derived from 1930 Census.

Cost of sickness, accident, disability insurance

Class C, 1930 Unemployment Census (persons out of a job and unable to work on account of sickness or disability)-----	172, 661
Would assume 250,000, since census figures are out of line with other experience.	
Class D, 1930 Unemployment Census (persons having jobs, but idle on account of sickness or disability)-----	273, 588
Total-----	446, 249

According to Report of President's Committee on Economic Security, which states that 2.25 percent of all industrial workers are at all times incapacitated, it would seem that the total of 446,249 badly underestimates the amount of sickness and disability.

Would assume--

Class C type-----	250, 000
Class D type-----	750, 000

Total-----	1, 000, 000
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Cost of sickness, accident, and disability insurance (1,000,000 by \$1,200)-----	\$1, 200, 000, 000
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NOTE.—\$1,199 average annual wage or salary in 1932 (N. I. Report, 1929-32).

Cost of maternity insurance

Number of gainfully occupied married women between ages 15 and 44 (1930 Census)-----	2, 425, 000
Number of married women between ages 15 and 44 (1930 Census)-----	17, 836, 000
Birth rate per 1,000 population (1930)-----	18. 9
Birth rate per 1,000 married women (above)-----	137. 0
Number of births per annum to gainfully occupied married women (on above basis)-----	332, 000
Probable number of births-----	150, 000
Annual cost for 16-week benefit (150,000 by \$369)-----	\$55, 000, 000

$$\$369 = \frac{16}{52} \times \$1,200.$$

(\$1,199 average annual wage, 1932, N. I. Report 1929-32.)

Present Annual Expenditures for Unemployment, Old Age, Sickness Relief, Public and Private

A. UNEMPLOYMENT

I. Federal Government (source of statistics: General Budget Summary, Treasury Department, estimated expenditures for year ending June 30, 1935, schedule 3):

(1) F. E. R. A.-----	\$1, 733, 208, 700
(2) C. W. A.-----	13, 842, 100
(3) Emergency conservation-----	402, 363, 000
(4) Relief of unemployment-----	100, 000, 000

Public Works:

(3) Loans and grants to municipalities-----	¹ 166, 300, 000
(5) Public highways-----	¹ 428, 600, 000

Total expenditures of a relief character-----	2, 844, 313, 800
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II. State and city (basis: F. E. R. A. reports)-----	400, 000, 000
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Total unemployment relief-----	3, 250, 000, 000
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¹ Eliminated from employed, hence deduct as funds to provide employment.

Present Annual Expenditures for Unemployment, Old Age, Sickness Relief, Public and Private—Continued

B. OLD AGE

1. Federal Government to veterans and widows (Report of Administrator of Veterans' Affairs, 1933).....	\$235, 000, 000
2. State old-age assistance (President's Committee on Economic Security).....	43, 000, 000
3. Industrial and trade union pensions (President's Committee on Economic Security).....	100, 000, 000
4. All other (rough estimate).....	50, 000, 000
Total.....	428, 000, 000

C. SICKNESS, DISABILITY, ACCIDENT (TO GAINFULLY OCCUPIED PERSONS)

National Safety Council estimates for 1932 that wage loss from occupational disabilities was \$370,000,000. Compensation probably did not exceed \$200,000,000.

Practically no other sickness or weekly accident benefits were paid in the United States by governmental agencies.

Total annual expenditures for relief of old age, unemployment, and sickness at present time..... \$3, 875, 000, 000

Estimate of diminution in cost of unemployment insurance on account of reemployment following passage of workers' bill

Year	National income (exclusive of Government) ¹	Salaries and wages (exclusive of Government) ¹
1929.....	\$76, 500, 000, 000	\$45, 300, 000, 000
1930.....	83, 500, 000, 000	40, 600, 000, 000
1931.....	17, 800, 000, 000	32, 900, 000, 000
1932.....	34, 000, 000, 000	23, 700, 000, 000
1933.....	36, 300, 000, 000	21, 900, 000, 000

¹ National income, 1929-32; national income, 1933; Survey Current Business, January 1935.

Ratio of salaries and wages to income produced

1929.....	0. 592
1930.....	. 639
1931.....	. 688
1932.....	. 697
1933.....	. 603
1934 (estimate).....	. 60
Total insurance benefits payable (annually) under workers' bill (p. 2, I ÷ IV ÷ V ÷ VI).....	\$16, 465, 000, 000
Present expenditures for relief, old age, etc.....	3, 875, 000, 000
Increase in purchasing power of lower income classes upon passage of workers' bill.....	12, 590, 000, 000
Increase in annual demand for consumers' goods (100 percent assumed) (see Brookings Institute, "America's Capacity to Consume", p. 84).....	12, 590, 000, 000
Increase in annual wages and salaries to meet increased demand for goods (decrease in cost of unemployment insurance) (60 percent of \$12,590,000,000) (ratio of salaries and wages to income produced, 1934, above).....	7. 554, 000, 000

BRIEF ON THE CONSTITUTIONALITY OF "THE WORKERS' UNEMPLOYMENT AND SOCIAL INSURANCE ACT", BY LEO J. LINDER, ATTORNEY, NEW YORK CITY

H. R. 2827 is unquestionably constitutional.

I. THE BILL IS A PROPER EXERCISE OF THE APPROPRIATING POWER OF CONGRESS

This bill provides for the appropriation of Federal moneys out of the Treasury of the United States for the payment of compensation to the unemployed, the sick, the disabled, and the aged. It is thus simply an exercise of the appropriating power, the power of Congress to spend money. The bill does, indeed, do more than provide for appropriations; it provides for the setting up of administrative machinery. But the appropriating power of Congress necessarily carries with it the incidental power to provide administrative machinery for disbursing the moneys appropriated and for insuring their proper application to the purposes sought to be achieved by Congress.¹

What limitations are there on the power of Congress to appropriate Federal moneys? The Federal Government is a government of "enumerated" powers; that is, powers enumerated by the Constitution. Some constitutional lawyers have, therefore, argued, when it has suited their client's purpose, that Congress may only expend moneys for the execution of the enumerated powers. Upon some such argument, an appropriation for social insurance would be unconstitutional, since the Constitution does not enumerate any power to provide social insurance for the people of the United States.

The argument is, however, wholly unsound, for it ignores the fact that one of the enumerated powers set forth in the Constitution is the power to "lay and collect taxes, pay debts, and provide for the common defense and the general welfare of the United States".² To limit this power to spend moneys for the "general welfare", to the power to spend moneys for the execution of the other enumerated powers, is to rob the "general welfare" clause of its meaning and thus to violate an elementary principle of constitutional construction.³ Such distinguished constitutional authorities as Washington,⁴ Madison,⁵ Monroe,⁶ Hamilton,⁷ Calhoun,⁸ and Justice Storey,⁹ have repudiated the conception of an appropriating power limited by the other powers. Our highest authority, the United States Supreme Court, has in the famous Sugar Bounty case,¹⁰ definitely upheld appropriations by the Government in payment of purely moral obligations, entirely beyond the scope of the other specifically enumerated powers and has, indeed, held that an appropriation out of "considerations of pure charity"¹¹ cannot be reviewed by the judicial branch of the Government. Congress itself has uniformly and consistently exercised its appropriating power for any purpose which it deems for the general welfare and irrespective of whether the purpose came within the specifically enumerated powers or not.

Consider the appropriations which Congress has made. Congress has spent money for the purchase of Louisiana from France, of Alaska from Russia, of Florida from Spain; Congress has made outright gifts of millions of dollars to the individual States;¹² it has appropriated billions of dollars for agriculture,¹³ and for internal improvements;¹⁴ it has appropriated the moneys of the Nation to aid destitute foreigners in severe calamities, as in the case of the Santa Domingo in 1794,¹⁵ and the citizens of Venezuela, who suffered an earthquake in 1812;¹⁶ it has in the last 2 years, appropriated billions of dollars for emergency relief to

¹ The Constitution of the United States, art. I, sec. 8, cl. 1 and cl. 18; Willoughby on the Constitution of the United States, ch. 3, sec. 62, p. 105.

² Constitution, art. I, sec. 8, cl. 1.

³ Chief Justice Taney in *Holmes v. Jennison*, 14 Pet. 538, 570, 571; Story Commentaries on the Constitution, 5th ed., sec. 812, 913.

⁴ Story on the Constitution, 5th ed.; note to sec. 978.

⁵ The Federalist, p. 41; Richardson, Messages and Papers of the President, vol. 2, 485, 568.

⁶ Annals of Congress, 17th Cong., 1st sess., vol. 2, p. 1839; Richardson op. cit. vol. 2, p. 165.

⁷ Hamilton's Works, Lodge's edition, vol. 3, 294, 371, 372.

⁸ Eliot's Debates, 2d ed., vol. 2, 431, note.

⁹ Story on the Constitution, vol. 1, secs. 922 to 924; see also Pomeroy Introduction to Constitutional Law, secs. 274, 275; Hare, American Constitutional Law, p. 155; Willoughby on the Constitution of the United States, sec. 269; Burdick on the American Constitution, sec. 77.

¹⁰ *U. S. v. Realty Co.*, 164 U. S. 427.

¹¹ *U. S. v. Realty Co.*, supra, p. 441, 4.

¹² In 1837 Congress, finding that there was a surplus, appropriated \$20,000,000 to be paid to the individual States in proportion to their population; Congress made a second appropriation of this nature in 1841.

¹³ Orfield Federal Land Grants to the States, pp. 37, 41, 48, and 67, the acts establishing the Bureau of Animal Husbandry, Weather Bureau, Bureau of Plant and Industry, Forest Service, Bureau of Soils, Bureau of Biological Survey, Bureau of Crop Estimates, etc.

¹⁴ The Geological Survey, Bureau of Mines, Department of Education, Road Building.

¹⁵ Act of Feb. 12, 1794, ch. 2.

¹⁶ The act of May 8, 1812, ch. 79; 4 Eliot's Debates, 240.

"needy and distressed people";¹⁷ it has appropriated billions for the setting up of a Reconstruction Finance Corporation,¹⁸ Home Owners' Loan Corporation,¹⁹ and the Federal Housing Corporation.

None of the enumerated powers would justify these (purchase of Florida from Spain, Alaska from Russia) expenditures. Yet surely no one would presume to say that Congress exceeded its power in making the Louisiana purchase, or in setting up the Geological Survey, which has increased the natural resources, or that Congress should never have contributed to the country's educational needs.

It is thus entirely clear that wholly without regard to the enumerated powers, Congress may use Federal moneys for any purpose which it deems will accomplish the "general welfare". Surely it could not be said that a bill which will provide a system of unemployment and social insurance for millions of unemployed, sick, disabled, and aged, is less for the "general welfare" than any of the bills which have just been mentioned. If Congress passes the bill, it will thereby declare that, in its judgment, the bill is for the "general welfare" and no court has the power to substitute its judgment on this question for that of Congress.

The fact is that the Supreme Court has itself stated that it has never in its entire existence, attempted to set limitations to the power of Congress to appropriate moneys.²¹ On the contrary, the Supreme Court has explicitly declared that the exercise of the appropriating power is not a subject for judicial consideration.²² The Supreme Court has appreciated that if individual taxpayers were permitted to harass and obstruct the Federal Government with questions as to the propriety of national expenditures, that this would render unworkable the whole machinery of the Federal Government. There is a case in which a taxpayer tried to stop the Secretary of the Treasury from paying out moneys for the construction of the Panama Canal.²³ The United States Supreme Court declared that the taxpayer could not interfere. The Court pointed out that the taxpayer could not show any "direct injury", since he could not point to any property belonging to him which was directly affected by the way the Federal Government spent its money. After all, the money in the United States Treasury appropriated, might very well be interest on the foreign debts or the proceeds of the sale of Government property and no taxpayer could point to any specific tax or any specific moneys paid by him which was used for the appropriation in question. The United States Supreme Court, however, went much further than this technical argument with respect to the matter of "direct injury." The Court declared explicitly that the question of the purpose for which Congress may use moneys, is a legislative question, not a judicial one. Thus, the United States Supreme Court has deemed itself to be without power to pass upon the propriety of the exercise by Congress of its appropriating power.²⁴

Clearly, the bill is not merely a wholly constitutional exercise of the appropriating power, but there is no way by which the propriety of the exercise of the appropriating power can be questioned.

II. THE BILL DOES NOT INVOLVE ANY UNCONSTITUTIONAL DELEGATION OF LEGISLATIVE POWER

While the bill does indeed invest the Secretary of Labor with large discretion, this does not render the bill unconstitutional. The United States Supreme Court has, again and again, sustained delegations of power to the President, Cabinet officers, and commissions. The Court has recognized that Congress might very well find it impossible to do more than to "lay down an intelligible principle to which the person or body administering the bill is directed to conform."²⁵ The Court has appreciated the practical difficulty of fixing precise and definite standards in advance of the complex contingencies certain to arise and has recognized that Congress might "form the necessities of the case, be compelled to leave to the executive officers, the duty of bringing about the result pointed out by the statute."²⁶ Thus, the Tariff Act of 1922 was held constitutional,

¹⁷ Emergency Relief and Construction Act, 1932, 47 Stat. 709, July 21, 1932, c. 520.

¹⁸ Jan. 22, 1932, c. 8, 47 Stat. 5.

¹⁹ June 13, 1933, c. 64, 48 Stat. 128.

²⁰ National Housing Act, No. 479, 73d Congress, approved by President, June 27, 1934.

²¹ *Mass. v. Mellon*, 262 U. S. 447, 487-88; in *Field v. Clark*, 143 U. S. 649, *U. S. v. Realty Co.*, supra, and *Mass. v. Mellon*, supra, the Supreme Court refused to pass on the question of the propriety of the exercise of the appropriating powers.

²² *Mass. v. Mellon*, supra.

²³ *Wilson v. Shaw*, 204 U. S. 24.

²⁴ *Mass. v. Mellon*, *Wilson v. Shaw*, *U. S. v. Realty Co.*, supra.

although it vested the President with the power to raise or lower the tariff upon any imported article whenever it found that the American products were at a competitive disadvantage with those imported from abroad.²⁷ A much broader power was held to have been constitutionally delegated to the Commissioner of Internal Revenue by the Revenue Acts of 1918 and 1921, which authorized the Commissioner to adjust the rate of excess-profits tax. Again an act of Congress, which gave the Secretary of the Treasury, on the recommendation of experts, the power to fix and establish standards of purity, quality, and fitness for consumption of certain commodities imported into the United States, was held constitutional.²⁹

In the recent "hot oil" case the United States Supreme Court has, it is true, declared that the "hot oil" control clause of the N. R. A. was invalid as an unconstitutional delegation of legislative power. But, in that case, no "primary purpose" or "primary standard" was clearly stated. The legislation there considered is wholly distinguishable from this bill for here a primary purpose is stated, and it is clear that the Secretary of Labor is not invested by this bill with anything more than a properly constitutional "administrative discretion". Indeed, the discretion invested in the Secretary of Labor is narrow, for the beneficiaries who are to receive the compensation are named, the minimum compensation is prescribed, the maximum compensation is ascertainable, and the nature of the compensation is fixed. Certainly the discretion here vested in the Secretary of Labor is far less wide than that vested in the Secretary of Agriculture by the Agricultural Adjustment Act of 1933.³¹ In the latter bill, the Secretary of Agriculture was granted the power "to provide for rental or benefit payments in connection with crop-reduction in such amounts as the Secretary deems fair and reasonable." The Congress which found no difficulty in regarding the Agricultural Adjustment Act as a constitutionally proper delegation of power, can certainly find no constitutional difficulty on this score with this bill.

III. THE ABSENCE OF AN APPROPRIATION OF A SPECIFIC AMOUNT, DOES NOT RENDER THE BILL UNCONSTITUTIONAL

No specific amount is appropriated by this bill. But this does not render the bill unconstitutional. For general indefinite appropriations are common. The first of such general indefinite appropriations was passed when Congress directed that all expenses accruing and necessary for the maintenance of lighthouses should be paid out of the Treasury of the United States. Since then hundreds of statutes containing similar indefinite appropriations, have been passed. From the moment the bill is enacted, this general appropriation becomes a charge upon the Treasury of the United States.

When it is determined that any individual is entitled to a certain amount of compensation, his claim is a claim on the United States, to be honored by the Treasury just as any matured bond or other obligation of the United States must be honored. Like all other matured claims on the United States, these claims for compensation when fixed, must be provided for as a part of the Budget of the Federal Government.

IV. THE BILL DEPRIVES NO ONE OF HIS PROPERTY WITHOUT THE "DUE PROCESS OF LAW" GUARANTEED BY THE CONSTITUTION

Unlike all other unemployment and social insurance plans, this bill does not involve the setting up of "reserves" created by enforced contributions by employers or employees. The only way that any person could regard himself as in anywise deprived of property for the purpose of financing this bill, would be by regarding this bill as a taxing measure.

The bill provides that "it is the sense of Congress that if any further taxation is necessary to provide funds for the purposes of this act, it shall be levied on inheritances, gifts, and individual and corporation incomes of \$5,000 a year or over."

Even if it can be argued that this is a taxing measure, the bill is a proper exercise of the taxing power of Congress. Congress has the power under the Constitution, to lay taxes for the "general welfare", subject only to two limita-

²⁷ *Hampden v. U. S.*, supra.

²⁸ *Heiner v. Diamond Alkali Co.*, 288 U. S. 502.

²⁹ *Buttfield v. Stranahan*, supra.

³⁰ The "hot oil" decision, Sup. Ct. Rept. but see Carpenter on the "Constitutionality of the N. R. A.", *Southern California Law Review*, Jan. 1934, p. 125; Cheadle on the "Delegation of Legislative Function", 27 *Yale Law Journal*, 892.

³¹ May 12, 1933, c. 25, 48 Stat. 31.

³² Act of Aug. 7, 1789, c. 9, 1 Stat. 53.

³³ Introduction to hearings before the Subcommittee of the House Committee on Appropriations on H. R. 9410, 73d Congress, 2d session.

tions.³⁴ In the case of duties, imports and excises, "this must be uniform." In the case of direct taxes, they must be apportioned according to the census. Neither limitation, however, applies to incomes, gifts, or inheritances since the sixteenth amendment.³⁵ Thus, a tax levied by Congress on incomes, inheritances and gifts, is wholly proper, so long as Congress deems it to be for the "general welfare." Once Congress has levied such a tax, the tax cannot be assailed by any tax payer, since the courts will not review the exercise of the Congressional discretion involved. The decision of Congress is thus final.³⁶

The limitation on the taxing power of the States, "that the taxation must be for a public purpose", is not a limitation applicable to the Federal Government.³⁷ But even if it were, clearly the purposes for which funds are to be raised by taxation, and to be spent under this bill, is a "public purpose." The fact that private individuals benefit, does not alter the fact that it is to the public interest that these private individuals receive such public benefit.³⁸ Finally, what is or is not a "public use" or purpose, has been held by the United States Supreme Court to be a question concerning which the legislative authority is best able to judge.³⁹ Just as in the case of the exercise of the appropriating power, so in the case of the exercise of the taxing power, where the tax is levied on incomes, inheritances and gifts, the tax payer is wholly without remedy. When Congress determines that such a tax is for the "general welfare", its decision is final and cannot be constitutionally assailed.

V. THIS BILL DOES NOT VIOLATE THE STATES' RIGHTS

It has been argued that this bill is unconstitutional on the ground that it involves a usurpation of the rights of the States. This argument is based upon the proposition that the power of Congress to regulate commerce and industry is limited to the "interstate commerce power" and that any regulation by the Federal Government of intrastate business and of matters "not commerce", is unconstitutional.

This argument is wholly inapplicable to the present bill. For this bill is not an exercise of the interstate commerce power; it is an exercise of the appropriating power.

This bill does not involve any regulation of intrastate commerce or of matters "not commerce." It does not involve the setting up of "reserves"; it does not set up such business relationships as might possibly be involved in the creation of special accounts with employers or employees, based on their contributions to a reserve fund.

The bill in no wise interferes with the conduct of any intrastate business. It does not prohibit the transportation of any product by intrastate business such as was held invalid in the child labor case. The bill does not affect the liability of employers to employees in intrastate business such as was held invalid in the employers' liability case.⁴⁰

The bill simply sets up an obligation of the United States Government to pay out of the United States Treasury compensation to all who are unemployed, sick, disabled, or aged, and it provides for the governmental machinery for the proper disbursement of the compensation. The Supreme Court has explicitly declared that no State will be heard to complain that the Federal Government is invading State rights when it simply exercises its appropriating power.⁴²

Even if, however, this exercise of the appropriating power, should, by any stretch of the imagination, be regarded as a regulation of matters "not commerce" and of intrastate commerce, it does not follow that the plan is beyond the powers of Congress. For it is the present doctrine of the United States Supreme Court that Congress has the power to regulate intrastate commerce and matters that are "not commerce" at all, provided that the burdensome character of these activities on interstate commerce is clear and direct.⁴³ Thus the United States

³⁴ *Hilton v. U. S.*, 3 Dall. 171; *Pollack v. Farm Land & Trust Co.*, 158 U. S. 601.

³⁵ The 16th amendment reads as follows: "The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration."

³⁶ *Pacific Insurance Co. v. Soule*, 7 Wall. 433.

³⁷ *Billings v. U. S.*, 232 U. S. 261.

³⁸ *Noble Bank v. Haskell*, 219 U. S. 104; *Fallbrook Irrigation District v. Bradley*, 164 U. S. 112; *O'Neill v. Leamer*, 239 U. S. 244.

³⁹ *Greene v. Frazier*, 253 U. S. 232.

⁴⁰ *Child Labor case*, 247 U. S. 251.

⁴¹ *First Employers Liability case*, 207 U. S. 462.

⁴² *Mass v. Mellon*, *supra*.

⁴³ *Safety Appliance Act*, case 222 U. S. 20; *Wisconsin R. R. Com. v. C. B. & Q. R. R. Co.*, 257 U. S. 553.

Supreme Court has held the Packers and Stock Yard Act of 1921 constitutional, although that act gave the Secretary of Agriculture supervision over the commission men and livestock dealers in the stockyards of the Nation and thus enabled the Secretary of Agriculture to regulate prices and practices in matters wholly intrastate.⁴⁴ The Court appreciated that the object of the act was to "free and unburden" the flow of interstate commerce. Again, in another case, the passenger rates of a branch line of a railroad, wholly within the boundaries of a single State and physically detached from the interstate lines of the same railroad, were held constitutionally subject to the control of the Interstate Commerce Commission, by reason of the effect of the intrastate rates on interstate rates and interstate business.⁴⁵ The Court has again and again regarded similar acts as a proper exercise of the "interstate commerce power."⁴⁶

Certainly, it must be clear, that Congress in 1933 and 1934 has proceeded upon the constitutional theory that it lies within the province of the Federal Government to prevent practices which deter the free flow of interstate commerce and to promote practices which stimulate interstate commerce.⁴⁷ The Congress which passed the Agricultural Adjustment Act of 1933, declared that the loss of the purchasing power of the farmers endangered the entire economic structure of the Nation.⁴⁸ The mechanism set up by that act was conceived as a device to restore purchasing power. Certainly the workers' bill is similarly an effort to remove obstacles to the free flow of interstate commerce. Clearly it provides for the "general welfare" much more directly than the N. R. A., the A. A. A., the P. W. A., and the other emergency acts which Congress has enacted during the Roosevelt administration.

This bill is an effort to deal with the same problem, the crisis in the purchasing power of the people of the United States. The basic conception of this bill is that the millions of workers and farmers throughout the United States who are unemployed, sick, disabled, and aged, lack purchasing power and that the soundest way to restore that purchasing power is to give them money, but not to give them money by way of charity or relief, but to give them money as of right, as a compensation for a disability which they suffer, due to no fault of their own and due to the operation of social forces. The basic idea of this bill thus is that funds should be given to create purchasing power for the masses who must spend the money for the necessities of life and who, in spending the money for these necessities, will thereby remove obstructions to the free flow of interstate commerce.

Furthermore, a consideration of the advantages of the Federal as against State or Federal-State social-insurance systems, will show the "administrative necessity" of a Federal system. The vast growth of American industry spanning the entire continent and the development of a national economy that is interconnected and interdependent, has completely transformed the Nation which was the subject of the Constitution. For most purposes of business and commerce, State boundaries have ceased to exist. The existence of 48 governmental systems endeavoring to solve problems essentially national in scope in 48 different ways, has created stupendous contradictions and difficulties. The lack of purchasing power of the unemployed, sick, disabled, and aged is a national phenomenon, national in scope; its causes are bound up with the causes of the national economic crisis.

Finally, the Federal system is the only feasible one, because it is only the Nation which can deal with the problem as it must be dealt with. The problem of unemployment is a problem of mass unemployment, with millions out of work. The loss in purchasing power of the unemployed, the sick, the disabled, and the aged, runs into billions of dollars. Only the Federal Government, with its vast resources and imponderable taxing power, can provide the means to meet a problem of such magnitude. Many of the States simply do not have adequate financial resources or adequate taxing power, but their unemployed need compensation no less than the unemployed of the wealthier States. And it is equitable that the wealthier States should contribute to the support and maintenance of the human beings in the poorer States, from which the income may very well have been withdrawn. The incomes and inheritances earned or created by Nation-wide industry are, as a practical matter, largely beyond the taxing power of any but the one State where the income is received, or in the case of inheritances,

⁴⁴ *Stafford v. Wallace*, supra.

⁴⁵ *Colorado v. U. S.*, supra.

⁴⁶ Cases cited under note 43.

⁴⁷ See Declaration of Policy, National Industrial Recovery Act, June 16, 1933, c. 90, 48 Stat. 195.

⁴⁸ See Declaration of Policy, National Industrial Recovery Act, June 16, 1933, c. 90, 48 Stat. 195.

where the deceased had his home at the time of his death. Only the Federal Government can effectively distribute the burden, because only it can effectively reach incomes and inheritances and make them available for the people of all States.

We must remember that the bill here considered does not depend for its constitutionality on any consideration of the "interstate commerce power", upon the argument that the regulation of intrastate business is necessary because of its effect on interstate business. In this respect, this bill rests on a far sounder constitutional basis than do the N. R. A. and the A. A. A. Those acts stand or fall, depending upon the extent to which the interstate commerce power can be properly exercised. But this bill is merely an exercise of the appropriating power. It rests upon the same constitutional basis as do the Reconstruction Finance Corporation Act and Home Owners' Loan Corporation Act, which involve merely an exercise of the power of Congress to spend Federal moneys.

The Reconstruction Finance Corporation Act, the Home Owners' Loan Corporation Act, and, indeed, the bulk of the national emergency legislation which has been enacted during the Hoover and Roosevelt administrations, involve an understanding of the national character of our problems. Furthermore, they indicate an appreciation of the inadequacy and the cumbersomeness of the Federal subsidy system. These acts all provide for direct aid to persons, firms, and corporations in the States. The Reconstruction Finance Corporation supplies Federal moneys direct to bankers throughout the country.

The Home Owners' Loan Corporation supplies Federal moneys direct to mortgagees throughout the country. There is no sensible reason why the congressional understanding of the national character of our economic problems, equal to the task of applying this understanding to bankers and mortgagees throughout the country, should fail to apply it to these who are neither bankers nor mortgagees.

Bankers' relief and mortgagees' relief have all been envisaged as Federal problems, requiring Federal solution. The unemployment and social insurance problems are even more clearly Federal problems. They require a similar national solution.

The Congress which passed the Reconstruction Finance Corporation Act, apparently, was convinced that it was for the "general welfare", that the banks in this country should be given money out of the Treasury of the United States, so that the banks could stay in business. The Congress which passed the Home Owners' Loan Corporation Act, apparently, was convinced that it was for the "general welfare", that individuals and corporations owning mortgages affecting real estate, who were totally unable to liquidate them, should be given bonds of the United States in payment for their mortgages. When Congress passes this bill, it will at last have realized that it is for the "general welfare" that all human beings in the United States who, through no fault of their own, are unable to earn the necessities of life, should receive money so that they may purchase the necessities of life and, in so doing, maintain not only their very lives, but the economical life of this country.

The bill, in view of the foregoing considerations is clearly constitutional.

The CHAIRMAN. The next witness is Mr. Weinstock.

Mr. DAVID GORDON. I am appearing in behalf of Mr. Weinstock.

STATEMENT OF DAVID GORDON, NEW YORK CITY, REPRESENTING THE COMMITTEE FOR UNEMPLOYMENT INSURANCE

Mr. GORDON. I am representing the organization of Mr. Weinstock. I represent the American Federation of Labor trade-union committee. I am the secretary of the New York Federation of Labor trade-union committee. I represent the wish for unemployment insurance of my own local union, Local 107, of the A. F. of L.

To those who question our authority, we need say but one word. The movement of the A. F. of L. trade-union committee of the United States is the one which has focused the attention of the membership towards genuine unemployment insurance against such quack remedies as the Wagner-Lewis bill, one sponsored by the A. F. of L. chiefs. The support that our resolutions and motions received in

favor of the provisions outlined in the workers' unemployment and social insurance bill introduced as H. R. 2827, by Congressman Ernest Lundeen, and against the Wagner-Lewis bill, at once establishes our authority to speak for the tremendous forward march in progressive economic legislation consciously supported by a million A. F. of L. members. However, it is sufficient to take cognizance of the fact that some one million organized men and women support the Lundeen measure and, by this very act, categorically reject the Wagner-Lewis bill.

We offer to your committee here at this point a partial list of organizations affiliated to the A. F. of L. which endorse the Lundeen bill, H. R. 2827.

Why do we oppose the Wagner-Lewis bill? The Wagner-Lewis bill in every one of its measures is directly antagonistic to a real plan for unemployment insurance. President Roosevelt in his message to Congress on the security program lays down the principle that the funds must not come from the proceeds of general taxation, that the system should be "self-sustaining." In simple language this means the imposition of the burden of the insurance on those who are to receive it. It seems that the workers will be compelled to sustain the system. A tax on pay rolls will be passed off on the consumers to sustain the system. A tax on pay rolls will be passed off on the consumers who are also the workers. Whether directly or indirectly the workers will pay through higher prices or wage cuts. It means new and added burdens to those who are employed at wages already cut far below the workers' needs.

We are opposed to the method of voluntary State insurance plans which is part of the Wagner-Lewis bill and of the Roosevelt program. We have seen how this has worked out in other legislation affecting the workers.

Our experience with so-called "welfare legislation" has taught us that the method of enactment of legislation, State by State, only serves to discriminate against large sections of workers. There is, for example, the Workmen's Compensation Act. The first State law for workmen's compensation was passed in 1911. It is now more than 25 years that workmen's compensation legislation has been discussed in the United States. In 1934 there were still four States that had no accident-compensation laws (Arkansas, Mississippi, Florida, and South Carolina). It would take a half a century before the country as a whole would adopt unemployment insurance measures. It is estimated that at least 7 million workers are debarred from workmen's compensation because they belong in the categories of railroad workers, farm laborers, and workers in small shops who are excluded from the State laws. The same experience can be recorded in the history of old-age legislation, which was raised in the United States in 1911. In the past 24 years only 24 States have passed this legislation.

What kind of economic security does the Roosevelt program provide? The Wagner-Lewis bill makes no mention of the amount or the period of insurance. The unemployment workers will not be satisfied with the kind of "security" which offers them a small amount of benefit for a short period after which they must be forced on relief rolls again. Government spokesmen frankly admit that the tax on pay rolls will be made with the understanding that a waiting period

of 4 weeks will be established before payments begin, that benefits will last for no more than 15 weeks at 50 percent of the normal wage, but no more than \$15, and after 15 weeks the workers lose their so-called "security". By no stretch of the imagination would this be considered a bill for "social security." On the contrary it is a program of continued insecurity.

The incompetence of the A. F. of L. executive council with reference to proposing unemployment legislation of benefit to labor, organized and unorganized, is evident. The executive council has blundered into scheme after scheme, supporting one and another at different times, but always was in opposition to the growing demand for the workers' unemployment insurance bill.

Mr. Lewis L. Lowin, in his study called "The American Federation of Labor" (Brookings Institute, pp. 292 and 294), interestingly describes the shifting policy of the executive council on unemployment insurance.

The executive council was against unemployment insurance. It was declared an added chain of the slavery of labor to capital—in effect, if not in such terms. Mr. Lowin then indicates the surging tide for unemployment insurance rising from the ranks which compelled a study of the problem in 1931. Finally, in 1932 the executive council formulated a program in support of State insurance schemes.

In 1933 the executive council fully endorsed the Wagner-Lewis bill. Today, William Green declares that there are no unemployment insurance measures before congressional bodies which answer labor's needs or which deserve labor's support. This is a sign of sheer intellectual bankruptcy, the expression of harmful pessimism. It is, in effect, an assertion that labor is unable to think or to analyze its problems. The declaration of Mr. Green tends only to discredit the labor movement.

But this cannot succeed. I wish here to state that the zigzag policies of Mr. Green and the executive council are not the policies of the membership of the American Federation of Labor. I will submit excerpts from the proceedings of the A. F. of L. convention since 1908 to corroborate this assertion.

We maintain that if it is possible for Congress of the United States to give millions of dollars to moribund banks and collapsing industries, it is equally within the power to provide funds for the millions of unemployed without compelling the workers to bear the costs of unemployment insurance.

We believe that the workers whose labor has built up the power and wealth of this country should be treated at least equally with the banks and industries, and that Congress should appropriate funds based on the taxation of higher incomes of over \$5,000 to provide sufficient funds for the maintenance of all unemployed workers in the United States adequately, as provided in the Lundeen bill.

Social insurance is a vital necessity to the toiling population. But it must be the kind of social insurance that will guarantee every man, woman, and child who is today deprived of the necessities of life because he has been denied the right to work, a decent adequate standard of living. It must protect the standards of the employed; it must offer security against illness and old age, and against a condition where millions of children are undernourished and starving; where

evictions and lack of shelter; and where there is misery and grim suffering of millions in the midst of plenty.

It is our opinion that it is possible for the richest country in the world to provide an adequate system of unemployment insurance. We disagree with the President when he maintains that "it is overwhelmingly important to avoid the danger of permanently discrediting the sound and necessary policy of Federal legislation for economic security of attempting to apply it on too ambitious a scale."

This in our opinion smacks too much of protection of the rich in the name of caution against an "ambitious program." It has been widely publicized in the press that the higher incomes have not suffered seriously during the crisis. The Bureau of Internal Revenue in a preliminary study, made public in the New York Times of December 10, 1934, showed that the net income of corporations increased \$654,502,697 or 35.35 percent in 1933 over the previous year, while net incomes in the lower brackets dropped. The Times report pointed out that—

the number of individuals who received incomes of under \$25,000 and the total of net income they reported dropped below the 1932 level, while the number and total net income in the classes from \$25,000 upward increased. Those receiving incomes of \$1,000,000 or more increased from 20 to 46, and the net income they reported rose to \$81,558,532, compared with \$35,239,556 for 1932.

Furthermore, profits have not suffered. Industrial profits for the first 9 months of 1934 were 70 percent greater than in the corresponding period last year, according to the Federal Reserve Board report.

These are but a few indications of the ability of the country to provide a decent and adequate system of unemployment insurance.

We favor the Lundeen bill because it provides for the basic needs of the unemployed more than any other measure thus far presented. First, the Lundeen bill covers all the present unemployed, and does not discriminate against any section of the toiling population. Adequate unemployment insurance for all the present unemployed will assure protection to the millions of starving men, women, and children now living in want. The Lundeen bill provides an adequate amount of weekly compensation to cover the entire period of unemployment. It calls for a Federal plan to go into effect in all States uniformly and immediately. It provides funds out of the income of the wealthy, of those whose millions have increased while millions of men, women, and children have gone without food and shelter. It provides for taxation out of the income of the higher brackets. It provides for the return to the working population of some of the earnings of which they were cheated when employed through low wages and speed-up. We believe this is not only just but that it is the only way in which the expense of unemployment insurance shall be met.

During the 6-year period of economic crisis, a period of the greatest unemployment ever experienced in America, every section of the working population has felt the long hands of poverty and hunger. Even the more highly paid workers, members of the American Federation of Labor, have not been exempt from the tremendous misery and suffering, the horror of insecurity which the working population has had to endure.

The rank and file in the A. F. of L. have seen their union standards of wages and hours wiped out, after years of struggle to raise them, during this crisis. They are today, side by side with the rest of the

working population, recipients of charity. They stand in the bread-lines, their children are sent to C. C. C. camps, and their meager savings have been consumed.

Today there are over 33 percent of the "gainfully occupied" persons in this country without jobs, a total of more than 17 million men, women, and young workers. These figures include the workers employed temporarily on relief jobs in Federal emergency projects, a total of 2,850,000. Even with this figure subtracted, there remain over 14,300,000 jobless in the United States. The figures show an increase of 800,000 over the revised figure for November 1933. Even the more conservative figures of the American Federation of Labor, as printed in the January issue of the American Federationist, estimate a total of more than 11,000,000 unemployed, and this figure excludes the unemployed on temporary emergency work.

According to the Federal Emergency Relief Administration, there are more than 19,000,000 persons who must depend for their means of subsistence on public relief. There are millions more who are not yet on relief but for whom the possibilities of employment are so meager that they will be compelled to resort to relief in order to live. Over 15 percent of the entire population of the country must depend for their food, lodging, clothing, and other necessities of life on the inadequate relief handouts of the existing agencies.

Such large numbers of unemployed dependent on miserable amounts of relief for subsistence has not only meant the plunging of masses of the working population into hitherto unknown hardships, but it has served to depress the standard of living of the working class as a whole.

We have only to quote to you the loss in members of various internationals as recorded in the executive council report of the fifty-fourth convention of the A. F. of L. to demonstrate the correctness of our statement. In 1929 the United Mine Workers of America had a membership of 400,000. Today, despite a wave of organization since 1933, there are 100,000 fewer members in the miners' organization. In the Painters' Brotherhood, a membership of 110,000 in 1928, the membership was reduced to 57,800 in 1934. The carpenters' unions had 332,000 members in 1928, and in 1934 they had 200,000. The Electrical Workers had 142,000 in 1929, and today they have 113,500. The Seamen's Union declined from 15,000 members to 5,000. I present herewith a complete list of the international unions which have declined in membership since 1929.

(The list referred to by Mr. Gordon is as follows:)

A list of international unions—American Federation of Labor—showing decline in membership from 1929 to 1934

[Executive council American Federation of Labor report submitted to fifty-fourth annual convention]

	1929	1934
Bricklayers, Masons & Plasterers' International Union Association.....	90,000	45,800
Carpenters and Joiners, United Brotherhood of.....	322,000	200,000
Electrical Workers, International Brotherhood.....	142,000	113,500
Hod Carriers and Common Laborers.....	91,700	44,200
Painters of America, Brotherhood of.....	108,100	57,800
Plasterers' Intl. Assn. of U. S. & C. Oper.....	39,200	18,000
Mine Workers of America, United.....	400,000	300,000
Printing Pressmen, International.....	40,000	32,000
Boot and Shoe Workers' Union.....	32,400	19,200
Carmen of A. Bro. Railway.....	80,000	55,000
Cigar Makers' Intl. Union.....	17,000	7,000
Lathers Intl. Union of W. W. of Metal.....	16,500	8,100
Molders Union of North America.....	23,700	8,800
Tailors Union of North A. Journeymen.....	6,800	2,600
Upholsterers, International Union of.....	10,700	6,500
Actors, Associated and Artists of Art.....	11,500	3,100

In conclusion, I wish to say that the executive council of the American Federation of Labor, due to its zigzag policies, is now faced with a very serious situation. Their opposition to a genuine unemployment-insurance system, their approval of all kinds of schemes which would not benefit the workers, has created a real gap between the membership and leadership of the American Federation of Labor.

The rank and file very often have had to take matters into their own hands in order to correct and remedy the situation they faced. The general strike in San Francisco was a warning to the executive council and to the employers, and it demonstrated that the workers will not stand by passively and permit their standards of living to be lowered, their wages cut, and conditions reduced. The general strike in textile and hundreds of other strikes, none of them approved or endorsed by the executive council or by the international officials, indicates the brewing revolt of the membership and the deep dissatisfaction with the present administration and with the policies of the National Recovery Administration.

After 6 years of unemployment, misery, and starvation, the workers in this country will not stand idly by, while their children and their families are starving. Organized labor has other means besides petitioning Congress or State legislatures to force the administration to adopt an adequate system of social and unemployment insurance. This is not a threat but it is a warning. We are tired of waiting and are fed up with promises.

The responsibility rests upon the administration and upon the owners of wealth and industry. Labor will not starve. We will fight. Organized labor will join together with the millions of unorganized, with the impoverished farmers, white-collar workers, and all others who believe in the right to live like decent human beings.

We earnestly request the Senate Finance Committee to bring a favorable report on this bill to the Senate and to impress upon the other Members of Congress the need for passing this measure and to categorically reject the Wagner-Lewis bill.

The American Federation of Labor Trade Union Committee for Unemployment Insurance and Relief speaking in behalf of nearly 1,000,000 workers in the American Federation of Labor declares that

it rejects the Wagner-Lewis bill in toto and further declares that the only plan worthy of the name of a social security plan is that embodied in the Lundeen bill (H. R. 2827), which is the only bill that provides for the workers' needs. This bill calls for immediate payment of benefits to all unemployed during every week that a worker is jobless and to the extent of his average weekly wages, but no less than \$10 a week and \$3 for each dependent. This can honestly be called a security standard.

International unions of the American Federation of Labor.—Amalgamated Association of Iron, Steel, and Tin Workers of America; United Textile Workers of America; International Molders' Union; Mine, Mill, and Smelter Workers Union; Full Fashioned Hosiery Workers of America.

State federations of labor of American Federation of Labor.—State Federations of Labor of Arkansas, Iowa, Montana, Colorado, Rhode Island, Wisconsin, and Nebraska.

Central labor unions.—Kalamazoo Federation of Labor, Kalamazoo, Mich.; Trades and Labor Assembly, Sioux City, Iowa; Central Labor Union, Lincoln, Nebr.; Schenectady Trades Assembly, Schenectady, N. Y.; Trades Assembly, Bradford, Pa.; New Kensington Central Labor Council, New Kensington, Pa.; Central Labor Council, Jeanette, Pa.; Federation of Labor, Pittsburgh (Hazelwood), Pa.; Federated Trades Council, Reading, Pa.; Jamestown Central Labor Council, Jamestown, N. Y.; Central Trades Council, Spokane, Wash.; Central Labor Union, Essex County, Newark, N. J.; Central Body, Clifton, N. J.; Central Body, Linden, N. J.; Great Falls Central Trades Council, Great Falls, Mont.; Central Labor Union, Danbury, Conn.; Salt Lake City Federation, Salt Lake City, Utah; City Central Body, Providence, R. I.; Federated Trades and Labor Council, San Diego, Calif.; Central Labor Council, St. Louis, Mo.; Trades Labor Council, Racine, Wis.; Central Labor Union, Atlantic City, N. J.

District councils.—Painters District Council, Newark, N. J.; Painters District Council, 36, Los Angeles, Calif.; Carpenters (Hudson County), Jersey City, N. J.; Painters District Council, Kansas City, Mo.; Carpenters District Council, Kansas City, Mo.; Painters District Council, 21, Philadelphia, Pa.; Painters District Council, 28, Jamaica, N. Y.; Full Fashioned Hosiery Workers, New York and New Jersey.

International Association of Heat and Frost Insulators and Asbestos Workers, Local 31, Providence, R. I.; Local 25, Detroit, Mich.

Aeronautical Workers, Federal Labor Local 18286, Buffalo, N. Y.

Automobile Workers, Federal Labor Local 18614, Cleveland, Ohio; Buick Local, Flint, Mich.; Hudson Local 18312, Detroit, Mich.; Ternstead Local, Detroit, Mich.

Brotherhood of Railway Clerks, Local 611, Columbus, Ohio; Local 257, St. Paul, Mich.

Damp and Waterproof Workers Association, United Slate, Tile, and Composition Roofers, Local 80, Great Falls, Mont.; Local 4, Newark, N. J.; Local 55, Denver, Colo.

Railwaymen's Union Local 823, New York, N. Y.

Riggers, Machine Movers Local 170, New York, N. Y.

Umbrella Makers Union Local, Rand School, New York, N. Y.

Dyers and Mercerizers Local 702, Philadelphia, Pa.

Boot and Shoe Workers Union Local 613, Huntington, W. Va.

Bartenders Union Local 485, Spokane, Wash.

Brewery Workers Union Local, Tacoma, Wash.

Longshoremen's Union Locals 38 and 12, Seattle, Wash.

Paper Plate and Bag Makers Union Local 107, New York, N. Y.

Pocketbook Workers Union Local, New York, N. Y.

Druggists Union Local, Philadelphia, Pa.

Full Fashioned Hosiery Workers, Local 4, Langhorn, Pa.

Knit Goods Workers Union Local, Philadelphia, Pa.

Suit Case, Bag and Portfolio Workers Local 52, Philadelphia, Pa.

Taxi Drivers Union Local, Philadelphia, Pa.

Window Washers Local 125, Providence, R. I.

Hotel and Restaurants Employees and Beverage Dispensers' International Alliance, Local 271, Petaluma, Calif.; Local 781, Washington, D. C.; Local 733, Detroit, Mich.; Local 34, Minneapolis, Minn.; Local 109, Newark, N. J.; Local

508, Atlantic City, N. J.; Local 2, Brooklyn, N. Y.; Local 72, Cincinnati, Ohio; Local 659, Dallas, Utah; Local 237, Pittsburgh, Pa.

United Hatters, Cap, and Millinery Workers International Union, Local 10, Danbury, Conn.; Local 8, New York, N. Y.

Milwaukee Coke and Gas Workers Union, Federal labor, Local 18546, Milwaukee, Wis.

Brotherhood of Painters, Decorators, and Paperhangers of America, Locals 531, 50, Cincinnati, Ohio; Local 639, Cleveland, Ohio.

Federal Labor Union, Local 19155, Breckenridge, Tex.

International Moulders Union of North America, local, Spokane, Wash.

Ice and Cold Storage Workers, Local 16918, Centralia, Ill.

Oil Field, Gas Well, and Refinery Workers of America, Local 210, Hammond, Ind.

Order of Railway Conductors of America, Local 69, El Paso, Tex.; Local 1, Oak Park, Ill.

International Association, Protective, Retail Clerks, local, Butte, Mont.

Bakery and Confectionery Workers International Union of America, Local 125, Berkeley, Calif.; Local 43, Fresno, Calif.; Local 24, San Francisco, Calif.; Locals 62, 237, 2, 49, Chicago, Ill.; Local 190, Metuchen, N. J.; Locals 79, 164, 507, New York, N. Y.; Local 14, Rochester, N. Y.; Locals 39, 334, Cleveland, Ohio; Local 177, Youngstown, Ohio; Local 45, Boston, Mass.; Local 204, Pittsburgh, Pa.; Local 122, Providence, R. I.; Local 473, Bellingham, Wash.

Bakers Union, Local 26, Denver, Colo.

Journeymen Barbers International Union, Local 175, Danbury, Conn.; Local 72, Norwalk, Conn.; Local, Belleville, Ill.; Local 182, Boston, Mass.; Local 913, Brooklyn, N. Y.; Local 164, New York City; Local 2, Philadelphia, Pa.; Local, Salt Lake City, Utah.

International Alliance of Bill Posters and Billers of America, Local 49, Seattle, Wash.

International Brotherhood of Blacksmiths, Drop Forgers and Helpers, Local 303, Butte, Mont.; Local 77, Milwaukee, Wis.

International Brotherhood of Boiler Makers, Iron Ship Builders, and Helpers of America, Local 244, Sioux City, Iowa; Local 81, Readville, Mass.; Local 104, Seattle, Wash.; Local 249, Huntington, W. Va.; Local 281, Boston, Mass.

Bridge and Structural Iron Workers International Association, Local 420, Reading, Pa.; Local 2416, Portland, Ore.; Local 350, Atlantic City, N. J.

Bricklayers, Masons, and Plasterers International Union of America, Local, Baltimore, Md.; Local 2, Detroit, Mich.; Local 1, Brooklyn, N. Y.; Local 37, New York, N. Y.; Local 18, Cincinnati, Ohio; Local 1, Providence, R. I.; Local 9, Oshkosh, Wis.; Local 5, Huntington, W. Va.; Local 8, Milwaukee, Wis.

Brotherhood Railway Carmen of America, Locals 227 and 210, Chicago, Ill.; Local 13, Princeton, Ind.; Locals 2031 and 266, Sioux City, Iowa; Local 56, Atchison, Kans.; Local 431, Bay City, Mich.; Local 641, Port Huron, Mich.; Local 299, Minneapolis, Minn.; Local 618, Providence, R. I.; Local 1085, New York, N. Y.; Local 815, Philadelphia, Pa.; Local 235, Milwaukee, Wis.; Local 1054, Detroit, Mich.; Local 698, Spokane, Wash.

United Brotherhood of Carpenters and Joiners of America, Local 1687, Montgomery, Ala.; Local 1089, Phoenix, Ariz.; Local 891, Hot Springs, Ark.; Local 210, Stamford, Conn.; Local 132, District of Columbia; Local 352, Anderson, Ind.; Local 1953, Greencastle, Ind.; Local 487, Linton, Ind.; Local 523, Keokuk, Iowa; Local 948, Sioux City, Iowa; Locals 1784, 416, 419, 13, 58, 62, 181, 504, Chicago, Ill.; Local 896, Crystal Lake, Ill.; Local 1366, Quincy, Ill.; Local 16, Springfield, Ill.; Local 720, Auburn, Mass.; Locals 11, 56, 157, Boston, Mass.; Local 296, Brockton, Mass.; Local 116, Bay City, Mich.; Local 337, Detroit, Mich.; Local 1299, Iron River, Mich.; Local 1199, Pontiac, Mich.; Local 361, Duluth, Minn.; Local 7, Minneapolis, Minn.; Local 87, St. Paul, Minn.; Local 1329, Independence, Mo.; Local 286, Great Falls, Mont.; Local 2237, Bayonne, N. J.; Local 349, East Orange, N. J.; Locals 119, 1782, Newark, N. J.; Local 299, Union City, N. J.; Local 2717, Brooklyn, N. Y.; Local 2372, Garnersville, N. Y.; Local 66, Jamestown, N. Y.; Locals 2090, 2163, New York City, N. Y.; Local 163, Peekskill, N. Y.; Local 1115, Pleasantville, N. Y.; Local 203, Poughkeepsie, N. Y.; Local 1660, Raymondsville, N. Y.; Local 188, Yonkers, N. Y.; Local 224, Cincinnati, Ohio; Locals 1180, 2159, Cleveland, Ohio; Local 735, Mansfield, Ohio; Local 186, Steubenville, Ohio; Locals 226, 2218, 2154, Portland, Ore.; Local 1065, Salem, Ore.; Local 59, Lancaster, Pa.; Local 207, Chester, Pa.; Locals 1050, 1051, 1073, 1856, 2194, Philadelphia, Pa.; Local 1695, Cranston, R. I.; Local 810, Kingston, R. I.; Local 2016, Eastland, Tex.; Local 1666, Kingsville, Tex.; Local 1984, Magna

International Molders' Union of North America: Local 161, Stamford, Conn.; Local 182, Belleville, Ill.; Local 275, Chicago, Ill.; Local 153, Hazelcrest, Ill.; Local 24, Bellingham, Mich.; Local 288, Kalamazoo, Mich.; Local _____, Anacosta.

Mont.; Local 84, Buffalo, N. Y.; Local 78, Watertown, N. Y.; Local 27, Cleveland, Ohio; Local —, Cheltenham, Pa.; Local —, Philadelphia, Pa.; Local 111, Philadelphia, Pa.; Local 348, Reading, Pa.; Local 171, Port Orchard, Wash.; Local 158, Seattle, Wash.; Local 338, Spokane, Wash.

United Mine Workers of America: Local 3664, Auburn, Ill.; Local 3543, Benton, Ill.; Local 52, Centralia, Ill.; Local 1397, Centralia, Ill.; Local 3464, Gillespie, Ill.; Local 2840, Middlegrove, Ill.; Local 2109, Nashville, Ill.; Local 721, Pana, Ill.; Local 2403, Springfield, Ill.; Local 720, Staunton, Ill.; Local 691, Troy, Ill.; Local 5509, Westville, Ill.; Local 6803, Bicknell, Ind.; Local 5584, Princeton, Ind.; Local 916, Hitema, Iowa; Local 191, South Hibbing, Minn.; Local 4472, Glen Robins, Ohio; Local 1451, Connerton, Pa.; Local 2399, Daisytown, Pa.; Local 4439, Fayette, Pa.; Local 494, Homer City, Pa.; Local 1560, Lost Creek, Pa.; Local 807, Maple Hill, Pa.; Local 2587, Ravenrun, Pa.; Local 1545, Forty Fort, Pa.; Locals 5383, 3506, Renton, Pa.; Local 1398, Shaft, Pa.; Locals 2011, 113, 2346, 1509, 1414, 1443, 1685, 1467, Shenandoah, Pa.; Local 4439, South Brownsville, Pa.; Local 458, Swoyersville, Pa.; Local 6147, Besoco, W. Va.; Local 6107, Killarney, W. Va.; Local 6106, Mead, W. Va.; Local 2980, Pimberton, W. Va.; Local 1, Butte, Mont.; Local 456, Creighton, Pa.; Local 762, Pittsburgh, Pa.; Local 920, Pottsville, Pa.; Local 4426, Harmonville, Pa.; Local 4963, Sarver, Pa.; Local —, Glen Ridge, Ill.; Local 6109, —, Pa.

Brotherhood of Painters, Decorators, and Paperhangers of America: Locals 713, 449, Glendale, Calif.; Locals 235, 5, Hollywood, Calif.; Local 1346, Inglewood, Calif.; Local 256, Long Beach, Calif.; Locals 1065, 92, 1345, 1348, 51, 202, 1345, 51, 831, 792, 644, 511, 636, 1348, 1063, Los Angeles, Calif.; Local 92, Montrose, Calif.; Local 1147, Roseville, Calif.; Local 315, San Jose, Calif.; Local 821, Venice, Calif.; Local 441, Whittier, Calif.; Local 949, Wilmington, Calif.; Local, 930, Denver, Colo.; Local 190, Bridgeport, Conn.; Local 1276, Westport, Conn.; Local 368, Washington, D. C.; Local 1088, Daytona Beach, Fla.; Local 1321, Clearwater, Fla.; Local 1175, Coral Gables, Fla.; Local 193, Atlanta, Ga.; Local —, Belleville, Ill.; Locals 637, 275, 194, 637, Chicago, Ill.; Local 863, Lake Forest, Ill.; Local 460, Hammond, Ill.; Local 1215, Boone, Iowa; Local 460, Hammond, Ind.; Local 277, Atlantic City, N. J.; Local 653, East Rutherford, N. J.; Local 997, 426, Haddon Heights, N. J.; Local 705, Irvington, N. J.; Local 777, Newark, N. J.; Local 174, 140, Passaic, N. J.; Local 144, Perth Amboy, N. J.; Local 442, Brooklyn, N. Y.; Local 504, Flushing, Long Island, N. Y.; Local 822, Glen Cove, Long Island, N. Y.; Local 721, Islip, N. Y.

Local 498, Jamestown, N. Y.; Local 121, Long Island City, N. Y.; Locals 848, 892, 499, 997, 1101, 905, and 261, New York, N. Y.; Local 707, Oneida, N. Y.; Local 1035, Richmond Hill, Long Island, N. Y.; Local 795, Rockaway Beach, Long Island, N. Y.; Local 1134, Rockville Center, N. Y.; Local 229, Kansas City, Kans.; Local 1244, New Orleans, La.; Local 623, Chelsea, Mass.; Local 258, Boston, Mass.; Local 675, Dearborn, Mich.; Locals 42, 357, 591, 37, and 552, Detroit, Mich.; Local 9, Kansas City, Mo.; Local 386, Minneapolis, Minn.; Local 681, Rochester, Minn.; Local 540, Winona, Minn.; Local 720, Butte, Mont.; Local 260, Great Falls, Mont.; Locals 50, 308, and 866, Cincinnati, Ohio; Locals 765, 867, and 128, Cleveland, Ohio; Local 1103, Mentor, Ohio; Local 546, Toledo, Ohio; Local 443, Okmulgee, Okla.; Local 935, Tulsa, Okla.; Local 788, Sandusky, Ohio; Local 438, Steubenville, Ohio; Local 476, Youngstown, Ohio; Local 751, Gibsonia, Pa.; Local 380, Lancaster, Pa.; Local 887, Oil City, Pa.; Locals 21, 306, 997, 703, and 632, Philadelphia, Pa.; Locals 479, 282, 6, and 84, Pittsburgh, Pa.; Local 15, Central Falls, R. I.; Locals 195 and 692, Providence, R. I.; Local 586, Spartanburg, S. C.; Local 965, Jackson City, Tenn.; Local 123, Gilman, Vt.; Local 743, Olympia, Wash.; Local 1220, Tacoma, Wash.; Local 1114, Janesville, Wash.; Locals 201 and 300, Albany, N. Y.

Federal Labor Union, Local 19128, Lincoln, Nebr.

Federal Labor Radio Workers, Local 18832, Philadelphia, Pa.

Federal Labor, Local, Providence, R. I.

Midvale Steel Federal Union Local, Philadelphia, Pa.

Federal Labor, 18546, Milwaukee, Wis.

Chemical Workers, 18634, Huntington, W. Va.

Casket Makers, 19306, Chicago, Ill.

United Association of Plasterers International Association of the United States and Canada, Local 343, Long Beach, Calif.; Local, 460, San Francisco, Calif.; Local 32, Denver Colo.; Local, Bloomington, Ill.; Local, Omaha, Nebr.; Local 60, New York, N. Y.; Local 1, Cincinnati, Ohio; Local 7, Toledo, Ohio; Local 179, Youngstown, Ohio; Local 40, Providence, R. I.; Local 182, Franklin,

Pa.; Local 31, Pittsburgh, Pa.; Local 746, Mount Vernon, Wash.; Local 77, Seattle, Wash.; Local 110, Great Falls, Mont.; Local 428, Racine, Wis.

Amalgamated Clothing Workers of America, Local 1, Boston, Mass.; Local 4, New York, N. Y.; Local 75, Philadelphia, Pa.; Local 38, Chicago, Ill.; Joint Council, St. Louis, Mo.; Local 110, Philadelphia, Pa.

Retail Clerks' International Protective Association, Local 753, Philadelphia, Pa.

Retail Food and Employees Clerks, Local 770 of R. C. I. P. A., Los Angeles, Calif.

Cigarmakers' International Union of America, Local 225, Salt Lake City, Utah; Local 14, Chicago, Ill.

Coopers' International Union of North America, Local 9, Philadelphia, Pa.; Local 54, Detroit, Mich.

International Union of Operating Engineers, Local 835, Philadelphia, Pa.; Local 3, Brooklyn, N. Y.; Local 48, Los Angeles, Calif.; Local 5, Detroit, Mich.; Local 506, Philadelphia, Pa.; Local 37, Providence, R. I.

International Brotherhood of Electrical Workers of America, Local 83, Los Angeles, Calif.; Local 31, Brooklyn, N. Y.; Local 122, Great Falls, Mont.; Local 292, Minneapolis, Minn.; Local 623, New York, N. Y.; Local 58, Detroit, Mich.; Local 3, New York City, N. Y.

International Typographical Union, Local 231, San Jose, Calif.; Local 899, Whittier, Calif.; Local 221, San Diego, Calif.; Local 21, San Diego, Calif.; Local 491, Pocatello, Idaho; Local 241, Turvi Falls, Idaho; Local 330, Berwyn, Ill.; Local 215, Decatur, Ill.; Local 306, Alton, Ill.; Local 192, Cedar Rapids, Iowa; Local 590, Hobart, Ind.; Local 41, Atlanta, Ga.; Local 727, Hibbing, Minn.; Local 131, Elmhurst, Long Island, N. Y.; Local No. 6, New York, N. Y.; Local 499, Okmulgee, Okla.; Local 63, Toledo, Ohio; local, Cleveland, Ohio; Local 242, York, Pa.; Local 43, Charleston, S. C.; Local 195, Paterson, N. J.; Daily News Chapel, New York, N. Y.; Local 10, Indianapolis, Ind.

Journeymen Tailors Union of America, local, Youngstown, Ohio; Local 46, Buffalo, N. Y.; Local 131, Pittsburgh, Pa.; Local 323, Bethlehem, Pa.; Local 106, Spokane, Wash.; Local 86, Milwaukee, Wis.; Local 282, Green Bay, Wis.

United Textile Workers of America, Local 1733, Paterson, N. J.; Local 2030, Philadelphia, Pa.; Local 1789, Birmingham, Ala.; Local 1766, Birmingham, Ala.; Weavers Local, Fall River, Mass.; Local 2052, Union City, N. J.

International Brotherhood of Teamsters, Chauffeurs, Stablemen, and Helpers of America, Local 429, Reading, Pa.; local, Los Angeles, Calif.; local, Atlantic City, N. J.

International Association of Marble, Slate, and Stone Polishers, Rubbers and Sawyers, Tile and Marble Setters, Helpers, and Terrazzo Helpers, Local 62, Philadelphia, Pa.; Local 8, Providence, R. I.; Local 47, Milwaukee, Wis.

International Federation of Technical Engineers, Architects, and Draftsmen's Unions, Local 54, Milwaukee, Wis.

American Federation of Teachers, Local 256, Grand Rapids, Mich.; Local 194, Mena, Ark.; Local 340, Baltimore, Md.

Sheet Metal Workers' International Association, Local 2, Stockton, Calif.; Local 615, Buffalo, N. Y.; Local 137, New York, N. Y.; Local 329, Salisbury, N. C.; Local 37, Providence, R. I.; Local 446, Great Falls, Mont.

International Stereotypers' and Electrotypers' Union of North America, Local 8, East St. Louis, Ill.; Local 15, Dayton, Ohio.

Switchmen's Union of North America, Local 240, Liberal, Kans.; Local 291, Paducah, Ky.

Simmons Bed Federated Union, Local 18456, Kenosha, Wis.

Journeymen Stonecutters' Association of North America, local, Akron, Ohio; local, Concord, N. H.

Suitcase Workers, Local 52, Philadelphia, Pa.

International Watch Makers of Jewelry Workers' Union, Local 21, New York, N. Y.; Local 421, New York, N. Y.

United Plush Weave Textile Workers of America, Local 471, Philadelphia, Pa.

United Association of Plumbers and Steam Fitters of the United States and Canada, Local 476, Providence, R. I.

International Brotherhood of Pulp, Sulphite, and Paper Mill Workers of the United States and Canada, Local 37, East Millinocket, Maine; Local 27, Woodland, Maine.

Metal Polishers International Union Local 6, Chicago, Ill.; Local 277, Chicago, Ill.

International Union of Mine, Mill, and Smelter Workers Local, Salt Lake City, Utah; Local 1635, Kansas City, Mo.

Operative Plasters' International Association of the United States and Canada Local 65, Minneapolis, Minn.; Local 87, Montgomery, Ala.

Ornamental Structural Iron, Brass, Bronze, and Wire Workers Local 19103, Chicago, Ill.

International Union of Operating Engineers Local, Sioux City, Iowa.

International Union of North America Quarry Workers Local 82, Rockport, Mass.; Local 81, Lanesville, Mass.

International Association of Machinists Local 234, Milwaukee, Wis.; Local 915, Chicago, Ill.; Local 119, Newport, R. I.; Local 110, Newport, R. I.; Local 68, San Francisco, Calif.

United States Tile and Composition Roofers, Damp and Waterproof Workers' Association Local 4, Newark, N. J.; Local 80, Great Falls, Mont.

Order of Sleeping Car Conductors Local 15, Chicago, Ill.

Order of Railway Conductors of America Local 52, Port Jarvis, N. Y.; Division 1, Chicago, Ill.

Brotherhood of Railroad Trainmen Local, Milwaukee, Wis.

Brotherhood of Locomotive Engineers Local 405, Milwaukee, Wis.; Local 54, Milwaukee, Wis.

International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators of the United States and Canada Local 130, Altoona, Pa.; Local 361, Kenosha, Wis.; Local 475, Eau Claire, Wis.; Local 598, Marion, Ohio; Local 644, New York, N. Y.; Local, Sioux City, Iowa; Local 306, New York, N. Y.; Local 223, Providence, R. I.

Motion Picture Projectionists 150, Los Angeles, Calif.

United Mine Workers of America Local 13, Des Moines, Iowa; Local, Shenandoah, Pa.; Local 1, Butte, Mont.; Local 5497, Powhatan, Ohio; Local, Six Mile Run, Pa.

Window Glass Cutters' League of America Local 528, New York, N. Y.

Flint Glass Workers Local 93, Chicago, Ill.

International Hod Carriers, Building and Common Laborers' Union of America Local, Belleville, Ill.; Local, Bridgeport, Conn.

United Textile Workers of America Local 1759, Philadelphia, Pa.; Local 2052, Union City, N. J.; Local 702, Philadelphia, Pa.; Local 1586, Philadelphia, Pa.; Local 1733, Paterson, N. J.; Local 2030, Philadelphia, Pa.; Local 2053, Philadelphia, Pa.; Local 471, Philadelphia, Pa.

Brass Bobbin Winders Local 14659, Philadelphia, Pa.

Upholsterers' International Union of North America Local 75, Baltimore, Md.; Local 77, Philadelphia, Pa.

Federal Labor (Vincent McCall) Local 18846, Kenosha, Wis.

International Wood Carvers' Association of North America Local, Philadelphia, Pa.; Local, New York, N. Y.

International Jewelry Workers' Union Local 421, New York, N. Y.; Local 87, Newark, N. J.; Local, New York City.

Hotel and Restaurant Employees and Beverage Dispensers' International Alliance Local 659, Dallas, Tex.

Asbestos Workers International Association of Heat and Frost Insulators Local 31, Providence, R. I.

Federal Labor Aeronautical Workers Local 18286, Buffalo, N. Y.

United Federal Labor Automobile Workers Local 18614, Cleveland, Ohio; Local 18677, Detroit, Mich.

Dental Laboratory Technicians Local 18405, St. Louis, Mo.

Amalgamated Association of Iron, Steel, and Tin Workers Local 149, Clairton, Pa.; Local Sparrows Point, Md.; Local 37, Providence, R. I.; Local, Ellwood City, Pa.; Local 410, Great Falls, Mont.; Local 184, Sioux City, Iowa; Local 1, Follasbee, W. Va.; Local 709, New Britain, Conn.; Local 169, Pa.; Local 195, Ellwood City, Pa.; Local 162, Versailles, Pa.

International Union of Wood, Wire, and Metal Lathers Local 305, Great Falls, Mont.; Local 113, Sioux Falls, Iowa; Local 455, Lake Worth, Fla.

United Leather Workers International Union Local, New York, N. Y.; Local, Chelsea, Mass.

Laundry Workers' International Union Local 108, St. Louis, Mo.

Brotherhood of Locomotive Firemen and Engineers Local 13, Jersey City, N. J.; Local 183, Cleveland, Ohio; Local, Montevideo, Minn.; Local 1, Port Jervis, N. Y.

Lithographers' International Protective and Beneficial Association of the United States and Canada Local 5, St. Louis, Mo.

Building Service Employees' International Union Local 1077, New York, N. Y.; Local 125, Providence, R. I.

Bricklayers, Masons, and Plasterers International Union of America Local 8, Milwaukee, Wis.; Local 19, St. Louis, Mo.; Local 3, Philadelphia, Pa.

Automobile Mechanics Lodge Local 447, New York, N. Y.

International Union of Teamsters and Dairy Drivers Local, Birmingham, Ala.

Hobson Walker Brickyard Federation Local 18434, Bessemer, Ala.

Alabama Clay Products Co. Federation Local 18435, Bessemer, Ala.

Cooks Union Local 44, San Francisco, Calif.

Cabinet Makers Local, Belleville, Ill.

Cement Finishers Local, Belleville, Ill.

Metal Polishers Union Locals 6 and 277, Chicago, Ill.

Mailers Union 10, Indianapolis, Ind.

Patternmakers Association, Detroit, Mich.

Package Freight Handlers Union, Duluth, Minn.

Millmens Local 1635, Kansas City, Mo.

Flour and Cereal Workers of America Local 19253, Great Falls, Mont.

(The excerpts from convention proceedings of the American Federation of Labor, presented by the witness, are as follows:)

AMERICAN FEDERATION OF LABOR SECURITY COMMITMENTS, 1904-34

Presidents of American Federation of Labor; Samuel Gompers, 1904-25;
William Green, 1926-

PROCEEDINGS, 1904-5

Resolution no. 130, proceedings 1904-5, page 156, by Delegate Victor L. Berger, International Typographical Union

Whereas the present insurance system is notorious as a method of exploitation and graft and has simply become an adjunct to Wall Street, New York, and

Whereas in spite of the tremendous wealth being accumulated by insurance corporations, the life and property of wage workers finds little or no protection in insurance. It is now exceedingly costly and the workmen are often, by all kinds of legal tricks, defrauded by insurance companies: Therefore be it

Resolved, That the twenty-fifth convention of the American Federation of Labor endorse the general principle of State insurance now in operation in Germany, in which the expense is met by the Government, the employer, and the working people, each paying one-third of the premiums; * * *

(Advocates the adoption of such a plan—"only on a much larger and more effective scale—for the United States of America." Referred to committee on resolutions.)

Committee report on Resolution No. 130, proceedings 1904-5, pages 179-80

The committee recommended that last two "resolves" be stricken out and following substituted:

"Resolved, That in accordance with same, and as the recent investigations have shown unparalleled corruption and mismanagement of insurance companies, we endorse the principle of Government insurance of a voluntary nature, and that our executive council be authorized to favor legislation to that end."

Treasurer Lennon offered a substitute for the report asking that the principle of insurance by trade unions for the working people of this country be adopted.

The report of the committee was accepted.

NOTE.—Rejects trade-union plan.

PROCEEDINGS, 1906

For compulsory life and other insurance by the State. Report November 12 to 24, 1906, page 117, Resolution No. 58

After declaring that the wageworkers receive scant protection, the following resolve was made:

"Resolved, That we demand that some plan of compulsory life and other insurance be enacted, either by the States or by the Nation, in such a manner as to give adequate security to the toiling masses of the people."

Referred to committee.

NOTE.—Made by Victor L. Berger—left indefinite as to type of form.

Committee recommended nonconcurrence to Resolution 58, page 160.

Old-age pension report. November 12 to 24, 1906, page 148, Resolution No. 132, by Victor L. Berger

Whereas labor creates all values and makes them useful and accessible to mankind, but the present economic system is such that it is impossible for great mass of wage earners to save up a sufficient amount of money or property to secure them against want and misery, and indignities of capitalistic charity in their old age; and

Whereas it is the prime object of the trade-union movement to improve and elevate the standard of living of the working class everywhere, and in every possible way: Therefore be it

Resolved, That the executive council of the American Federation of Labor be instructed to use its best efforts to induce the Congress of the United States to pass a bill which will secure to every wageworker in the United States who has earned no more than \$1,000 average wages per year, a pension of not less than \$12 per month at the age of 60, and thereafter for the rest of his or her natural life: Provided, however, That such wage earner is a citizen of the United States, and has lived in this country for at least 21 years continuously at the time application is made.

Referred to the committee on resolutions. Rejected after long discourse by Berger, page 235.

PROCEEDINGS, 1907

Compulsory insurance for workers by the States or Nation. Report, 1907, pages 167-168, Resolution No. 131

Proposing that the convention favor some plan of compulsory life and other insurance for workers by States or Nation.

The committee concurred in the resolution. It was adopted by the convention, pages 333-34.

Old-age pension. Report, 1907, page 158, Resolution 104 by Victor L. Berger

Resolution asking that convention favor old-age pensions. (Same as resolution 132, p. 148, in 1906 convention.)

The resolution was again rejected. However, after considerable discussion the following action was adopted by the convention:

"Delegate Kennedy (W. E.) moved as an amendment that the entire subject matter be referred to the executive council, with instructions to investigate and report to the next convention."

PROCEEDINGS, 1908

Old-age pension. Report, 1908, pages 99-102

In accordance with resolution no. 104 of the convention at Norfolk in 1907, President Gompers made a summary report of the administration of old-age pension in the following countries: Austria, Belgium, Denmark, Iceland, France, Germany, New Zealand, New South Wales, Victoria, and England.

Mr. Gompers believed that it would be quite some time before old-age pension can even get a hearing in the United States. Such questions as that of Federal

and State jurisdiction would have to be settled before any progress could be made on the problem. Further, some definite understanding of what constitutes "bad conduct" would have to be defined. (In most countries persons are disqualified from receiving aid when found guilty of "bad conduct.")

Old-age pension. Report, 1908, page 260

The resolution committee after reviewing the reports of the president and the executive council made the following recommendation on old-age pension:

"We would therefore recommend that the executive council be authorized to secure the assistance of such competent legal advice as will enable them to prepare the draft of a bill providing for old-age pensions, and that such bill be introduced either in the legislatures of the States or in Congress, their action in this being governed by their decision as to whether this legislation is to be most readily secured and applied through the individual action of the several States, or by Federal legislation, or by both."

On motion, the convention adopted the report.

PROCEEDINGS, 1909

Old-age pension. Report, 1909, pages 97-101. "The old-age home guard of the United States Army"

A proposed draft of a bill on old-age pension drawn up by order of the convention of 1908. Among other things, it provided that—

An old-age home guard of the United States Army shall be composed of persons not less than 65 years of age. The pay would be \$120 per annum, with reductions for persons having property in excess of \$300.

A brief in support of the proposed bill was presented—both were drawn by Congressman W. B. Wilson from Pennsylvania.

The bill was approved as submitted on motion of the resolution committee. (Text, pp. 330-331.)

PROCEEDINGS, 1910

Old-age pension. Resolution No. 34 by E. William Carr. Report, 1910, pages 157-158

Resolution proposing that old-age pension be extended to all citizens 60 years or over who would receive \$30 per month from the Government.

The committee recommended nonconcurrence in the resolution, at the same time reaffirming the action on the subject the year before in Toronto.

Committee's report was adopted.

PROCEEDINGS, 1911

Old-age pension. Report, 1911, pages 268-269, resolutions 2, 4, and 57

No. 4 contained the endorsement of the Massachusetts State branch of the American Federation of Labor on old-age pension.

Nos. 2 and 57 referred to pensions for Federal employees. All were referred to the executive council.

PROCEEDINGS, 1912

Old-age pension. Report, 1912, pages 52 and 347

On the question of old-age pension, the following report was adopted:

"We reaffirm our former action on this question and regret that no further progress has been made than as indicated by the report.

"We recommend that the efforts for the establishment of a general old-age pension be continued."

PROCEEDINGS, 1913

Industrial insurance by unions. Report, 1913, pages 251-252

After noting the progress of industrial insurance in other countries, Resolution No. 162 provided that—

"Whereas we, as heretofore, are now in favor of all national and international unions paying strike, unemployment, old-age, partial disability, sick, and death, and other benefits:

"*Resolved*, That the executive council of the American Federation of Labor make an exhaustive investigation and study and report to the next convention."

It was also suggested that the American Federation of Labor consider the advisability of establishing an insurance department.

Referred to committee on education.

Federal pension. Report, 1913, page 259

Resolution favoring pension for civil-service employees adopted.

PROCEEDINGS, 1914

Old-age pensions. Report of proceedings, 1914, pages 87-88

After referring to a number of old-age pension bills which had been introduced into Congress, the executive council recommended that a general campaign of education in behalf of an old-age pension law would meet with a general response by the people.

The recommendation was adopted by the convention, page 327.

Union social insurance. Pages 219-224

Charts showing the cost of social insurance to the international unions for 5 years, included in report of the executive council for 1914 on social insurance.

Union social insurance. Pages 66-68

Report of the executive council on the question of social insurance made in accordance with resolutions (nos. 44 and 162) which authorized an exhaustive investigation and study of the whole problem.

The council reported that the scope of the resolution required a force of experts far beyond the means of the federation, although it endorsed the general principle of the resolution.

Report of committee on report of executive council recommended that the council continue its study so that the federation would be able to decide on a definite policy, page 361.

PROCEEDINGS, 1915

Old-age pension for Government employees. Proceedings, 1915, page 111.

A number of conferences have been held on old-age pensions for government employees. However, the employees differ greatly on plans and method, thus not much progress has been made.

* * * * *

Progress reported in 1916 convention. See proceedings, 1916, page 265.

* * * * *

1917 proceedings carries note that no plan suggested to date has met with the full approval of all the employees, pages 116-117.

Social insurance. Proceedings, 1915, page 164

The executive council reports that among the subjects upon which no substantial progress can be reported are: Social insurance and the world congress of unemployment.

PROCEEDINGS, 1916

Old-age pension. Proceedings, 1916, pages 295-296

After reviewing the general problem of old age, the following resolution was made, Resolution No. 25:

"Resolved, That the executive council of the American Federation of Labor is hereby instructed to present to the thirty-seventh annual convention of this body a review of the old-age pension systems of Great Britain and Germany, together with such other information on this subject as may be helpful in determining the action necessary and desirable in forming suitable legislation looking to the establishment of a universal old-age pension system by the Government of the United States of America."

Resolution committee reported that the war made compliance with the resolution almost impossible. However, it recommended that the matter be left to the executive council. Report adopted.

PROCEEDINGS, 1918

Health insurance—Insurance against unemployment. Proceedings, 1918, pages 282-283

Resolution 101 viewed with alarm the "great efforts" which have been made to obtain the approval and support of organized labor to a scheme for social health insurance by persons outside the labor movement. It resolved, among other things, that "the executive council are hereby instructed to make an immediate investigation of this question and to point out its dangers or benefits with their recommendations thereon as soon as possible, * * * ascertain, if possible, what are the financial resources of the persons and organizations promoting this scheme and what relation they may have with those interests who are opposed to the best interests of the labor movement. * * *"

Resolution No. 135, introduced by members of the International Ladies' Garment Workers' Union, advocated the adoption by the Government of a comprehensive national system of social insurance. Resolution No. 135 was defeated. No. 101 accepted and a special committee was appointed.

PROCEEDINGS, 1919

Health insurance. Proceedings, 1919, pages 378-379

"It must be apparent to all who have given this subject serious attention that it is one possessed of great good and at the same time fraught with much danger. Your committee regrets that time did not permit the executive council to give this subject that consideration so essential to a fair and intelligent determination of the principles involved, as well as to the methods of application and procedure necessarily entailed. Because of the importance of this subject, and by reason of the vast consequences involved, your committee recommends concurrence in the request for further investigation and consideration of this matter by the executive council. * * *"

NOTE.—Final action was to be taken at the next convention.

Report of committee unanimously adopted.

Maternity aid. Page 439

Resolution No. 89, directing Federal cooperation with the States in providing funds for necessary medical and nursing care, was adopted.

PROCEEDINGS, 1920

Health insurance. Proceedings, 1920, page 176

"The executive council finds itself unable to reach a unanimous agreement upon the subject of voluntary health insurance and trade-union health insurance on the one hand as against compulsory State or industrial health insurance on

convention that the entire subject matter be referred to a committee to be selected by the executive council."

The recommendation was approved, page 387.

PROCEEDINGS, 1921

Health insurance. Proceedings, 1921, pages 310-311

The executive council announced the appointment of a special committee to study health insurance under the authorization given by the Montreal convention. The committee is requested to make its report in full at the next convention.

PROCEEDINGS, 1922

Old-age pension. Proceedings, 1922, page 472

Resolution no. 19, asking that "The American Federation of Labor endorse the old-age pension system of providing for those who have grown old in honest toil without being able to lay by for themselves" was referred to the executive council to take whatever action possible, page 272.

Old age. Proceedings, 1922, pages 141-144

By action of the Denver convention, the proposal to have introduced into the Congress of the United States a bill for the payment of old-age pensions in the interest of and embracing all the citizens of the United States was referred to the executive council for investigation and such action as might be deemed proper and necessary. The principle of the bill advocating the establishment of an "old-age home guard of the United States Army" is again reaffirmed and suggest that this bill be introduced in the next Congress.

This report was approved by the convention, page 360.

Unemployment. Proceedings, 1922, pages 72-78

The committee on unemployment authorized by the Denver convention was appointed after the President's conference on unemployment. After reviewing the work of the conference, the committee recommended that findings of the conference be approved along with the following procedure:

1. That the president of the American Federation of Labor arrange for the continuous study of the unemployment problem either through a committee or a designated agency or executive secretary.
2. That this official agency make continuously available to trade unions information that concerns regularization of industry and that relations be established so far as practicable with studies and efforts to develop such information.
3. That the labor movement make special effort to secure the enactment of legislation providing for an adequate Federal employment service and for the extension of public credit for the purpose above enumerated.

This report was adopted, page 263.

PROCEEDINGS, 1923

Unemployment—The Business Cycle and Unemployment. Pages 40-42

The business cycle is a constant recurrence of irregularly separated booms and slumps. Organized labor was in hearty accord with the findings of the Unemployment Conference in 1921, which placed squarely upon industries the responsibility of eliminating preventable unemployment.

"That disastrous slumps in American business are not unavoidable, and that they may in a measure be prevented or at least discounted by prudent timely foresight during periods of expansion, was the conclusion reached by the Committee on Unemployment and Business Cycles, appointed by Secretary of Commerce, H. Hoover."

The general recommendation of these conferences approved and—

"In addition we have no hesitancy in emphasizing the fact that the most potential factor against unemployment is the resistance against wage reduction."

Unanimously adopted by the convention; page 208.

PROCEEDINGS, 1924

Old age. Resolution No. 15. Pages 293-294

"Whereas individual workers suffer from many ills during the active period of their lives which quickly sap their vitality and render them physically unfit at a comparatively early age to earn a livelihood for their families and themselves. * * *

"Whereas this is an intolerable situation and a disgrace to our boasted civilization, and we are unworthy if, in the name of humanity, we are unable in this enlightened age to correct this grievous wrong * * *"

The resolution committee revised the whole resolution leaving all of the "whereas" out and changing the wording of the "resolves" to a much milder tone.

The substituted proposal was adopted.

Insurance. Proceedings, 1924. Pages 266-268

The Portland convention of the American Federation of Labor, 1923, adopted a resolution, no. 83, authorizing the President of the American Federation of Labor to investigate or cause to be investigated the amount and kind of death benefit insurance paid by national and international unions, group insurance, and other forms of insurance.

The income and the administration of American insurance companies were examined. Special attention was given to the report of Mr. Nesbit and that of Mr. L. D. Wood. Both were favored by the committee, which concluded with the following statement:

"Your committee makes no definite recommendations as to the form our insurance enterprise shall assume. We have been convinced and fully persuaded that it is not only advisable and safe but almost the duty of the unions jointly to adopt some form of proper insurance. However, we are opposed to have the American Federation of Labor as such actually engage in the insurance business."

Report of the committee was adopted, pages 266-268.

NOTE.—Vice President Green was very skeptical about the whole thing.

Old Age. Proceedings, 1924. Pages 33-34 (from executive council report)

"The old-age pension in principle attempts to do the same thing as the policies insurance companies are writing for "assured" incomes. In essence, all forms of life insurance are a method of prolonging the income-producing capacity of the individual—whether during old age or after death.

"* * * We, therefore, deem it advisable that the problem of old-age pension be made part of the larger problem of labor insurance, upon which initial report is made to this convention. In order to give unity to our determination of policies it is necessary that we first decide upon the fundamental issue and make decisions upon related problems harmonize with our general plan of procedure * * *."

The view expressed in the report was accepted by the convention, page 251.

PROCEEDINGS, 1925

Unemployment benefits and old-age pensions. Proceedings, 1925, page 260

The executive council reports that "A considerable amount of information upon these important subjects has been secured and will be compiled and published at the earliest possible date."

Unanimously adopted by the convention.

PROCEEDINGS, 1926

Mothers' pension plan. Proceedings, 1926, page 66

"This act appropriates a sum of \$100,000 to be used to provide home care for dependent children in the District of Columbia. The Commissioners of the District are authorized to appoint a supervisor to administer the act."

Unanimously approved, page 212.

PROCEEDINGS, 1927

Mothers' pensions. Report on States legislation, proceedings, 1927, page 77

Illinois—Mothers' pensions were increased; pension laws for policemen, library employees, teachers, and other county employees were amended beneficially.

Maryland—Enacted old-age pension law.

Old age. Proceedings, 1927, pages 258-260

Resolution no. 14. After a series of whereases it was resolved:

"* * * We direct the executive council to make, cause to be made, or support, if conducted by other competent authority, public or private, a thorough investigation and study for the establishment of an American system of invalidity and old-age pensions, to assist in the preparation of suitable legislation for the accomplishment of such purpose, and to promote its enactment by the creation and development of an earnest and enduring public opinion in favor thereof, to the end that the poorhouse may be abolished as an American institution and there be provided in its stead a system founded upon a higher conception of public welfare and regard for human and social progress."

Resolution No. 97 embodied the same scheme. Both resolutions were recommended to be referred to the executive council. Report of the committee unanimously adopted.

PROCEEDINGS, 1928

Old age. Proceedings, 1928, pages 96-107

Under the caption "Old-age pension" (pp. 96-107) the executive council presents the results of a comprehensive study which the council has made on the subject of old-age pensions. It is pointed out that old-age pension bills have been passed by the legislatures of 11 States and 1 Territory. In 2 States the acts were declared unconstitutional, and in 3 States were vetoed by the Governors, thus leaving the laws on the statute books at present in 6 States and in the Territory of Alaska. In 18 other States, during the past 10 years, the report says, commissions have been appointed to study old-age dependency, poor relief, and, in most cases, old-age pensions. Canada has enacted old-age pension legislation.

The report of the committee on the executive council report was adopted unanimously, pages 249-250.

PROCEEDINGS, 1929

Old age. Proceedings, 1929, pages 257-263

The executive council made the following recommendations on old-age pension:

1. That laws be enacted requiring a pension commission for every county, pensions to be at least \$300 annually, and that 65 be set as the age for applicants.

2. That a model compulsory old-age pension bill be drafted by the Federation and recommended to State federations of labor, and that an active campaign be inaugurated for the enactment of such laws in every State.

3. That the general problem of old-age retirement for employees in private industry be given careful study, and that an effort be made to secure the counsel and cooperation of sympathetic individuals and groups in an effort to work out constructive plans on this subject during the coming year.

Original report on pages 48-57.

A debate followed recommendations—finally adopted by the convention.

Old age. Proceedings, 1929, pages 258-263. Debate on question

Delegate FREY. I am not in accord with the recommendations made on old-age pension. (See summary of executive council report, 1929, pp. 257-263.) The most important thing which the American trade unions "can do is to center all of their efforts upon one thing—the establishing of our rights so that our trade unions can function as successfully as a trade association can function."

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President GREEN. And you are opposed to old-age pension legislation?
 Delegate FREY. At this time, sir, I am.

* * * * *

Vice President Woll, Delegates Walker, Madsen, and Olander agreed and defended the report of the council.

Delegate Furuseth supported the position taken by Frey. Olander agreed that the "injunction" was perhaps most important.

The report of the committee was adopted.

Old age. Proceedings, 1929, page 264

Resolution no. 3, urging State federations of labor to use all possible efforts to cooperate with all other agencies or fraternal organizations not having old-age pensions to work for its enactment, "with compulsory provisions that will not leave its application optional with boards of county commissioners" * * *

in any State.

PROCEEDINGS, 1930

Unemployment insurance. Remarks of Delegate Zuritsky during debate on resolutions favoring unemployment insurance which had been attacked. Proceedings, 1930, pages 317-319

"* * * Today, when a cap maker is out of work, he receives unemployment insurance, not a dole, to the amount of \$13 a week from his own organization, but the contributions come from the employers direct." * * *

"I propose that we do not lay it at the door of industry, but make industry accept it. Industry alone is responsible for the curse of unemployment, and if in England the unemployment worker has to contribute one-third toward this fund, the American worker contributes 100 percent toward it. Today the burden of unemployment in America is entirely upon the shoulders of the unemployed workers, and in England only one-third of the burden is on them. I prefer that system to the system of irresponsible starvation of the unemployed workers in this country."

Unemployment insurance. Proceedings, 1930, pages 371-398

The committee on resolutions recommended no concurrence with the following resolves:

Resolution no. 32. * * * "*Resolved*, That this convention of the American Federation of Labor go on record as favoring a system of unemployment insurance, inaugurated and controlled by the States and subsidized by the Federal Government."

Resolution no. 43, favoring the unemployment insurance bill introduced by Senator Wagner.

Resolution no. 72. * * * "*Resolved by the fifty-first convention of the American Federation of Labor*, That we record ourselves as favoring a system of Federal unemployment insurance * * *."

NOTE.—These resolutions started a debate which lasted for almost two sessions. The report of the committee was adopted.

Unemployment insurance. Proceedings, 1930, pages 309-319

A series of resolutions were presented on unemployment. Resolutions nos. 16, 51, 76, and 92 favored unemployment insurance; resolution no. 17 favored unemployment and social insurance; and resolution no. 32 proposed that the American Federation of Labor should study remedial legislation to relieve unemployment.

A stiff debate followed the report of the resolution committee recommending that all of the resolutions be referred to the executive council.

The report was adopted.

Unemployment insurance. Remarks of Delegate Ohl after resolution committee had made a bitter attack on a series of resolutions proposing unemployment insurance. Proceedings, 1930, pages 312-313.

"I do not oppose the committee's report referring these resolutions and the subject matter to the executive council. I do not, however, agree with all that has been said on the question of unemployment compensation by the committee. * * * I say that a fund to compensate the unemployed because of their

unemployment is not in all cases a dole, any more than the payment of a stipulated sum to those who become old in industry is a dole".

Unemployment insurance. Remarks of Delegate Slavens after resolution committee had attacked a series of resolutions on unemployment insurance. Proceedings, 1930, pages 313-314.

"I cannot seem to agree with the recommendation of the committee. In fact, I am greatly disappointed in it. This recommendation will undoubtedly be interpreted as placing the American Federation of Labor against unemployment insurance. It will greatly retard the work of the State federations that have already gone on record for the adoption of unemployment insurance."

Rhode Island labor had two objects for their resolution:

1. Convention to add the principle of unemployment insurance to other schemes proposed. 2. Hope that from the delegates assembled ideas would come which would make unemployment insurance sounder for good of all. * * * "I go into the mill villages, only a stone's throw from Newport, and see the misery which is driving our mill workers to desperation. I know if those people who live in Newport, who live in luxury on Bellevue Avenue—leaders of industry want to protect their wealth—must realize that we live in a new age and that poverty and starvation must be abolished".

Unemployment insurance. The attitude of the resolution committee, which considered a number of resolutions on the subject. Proceedings, 1930, pages 311-312.

"Every system of unemployment insurance advanced here contemplates supervision and control by both Federal and State Governments and will require registration not only of the aliens among the workers but of all workers. * * * Shall we discard the system under which we move freely from one end of our great country to the other, crossing State lines, stopping where we please, leaving when we choose, living where we will, without ever undergoing the scrutiny of a Government official or reporting to Government officers? * * *

"Are we to join in the fallacious argument now being offered in some quarters that the laws proposed for unemployment insurance are on a par with workmen's compensation acts? Is it not true that unemployment schemes of the sort advocated in the resolutions before this convention will tend to prevent the workers from joining in movements to increase wages * * *?"

Report of the committee was adopted.

Old age. From executive council report. Proceedings, 1930, pages 115-116

"Agitation for the protection of those who are unable to take care of themselves after they have reached the retirement age spread throughout the Nation during the past year. The demand for old-age security reached Congress and for the first time in the history of that body an extensive hearing was held at the request of the American Federation of Labor on the question of old-age pensions.

"Experts from many organizations appeared and gave conclusive evidence that those who are unable to care for themselves after reaching old age should be protected. Already 10 States and 1 Territory have enacted old-age pension laws, but none of them is of such a practical character that the American Federation of Labor can unequivocally endorse them as model laws. The States leave it to the counties to determine whether they shall pay the pension provided for in the acts, and many of the counties take no action." Federal aid was advocated. American Federation of Labor will draft a bill.

Unemployment-insurance remarks of President Green during debate over report of the resolution committee, which attacked a series of resolutions on unemployment insurance. (Several members had opposed the report.) Proceedings, 1930, pages 314-317

"Some are sponsoring a more ambitious program than that of England, who has had unemployment insurance for a quarter of a century."

"If I believed that we could require industry to care for the idle worker, perhaps I would be for it. I am not sure that I would be for it, if I thought such a thing was possible; but I am talking to hard-headed men. I am hard headed myself, and I am not going to appeal to their passions; I am going to talk to them in practical terms. * * *

"No man is touched by human suffering more than I am. This tragedy of unemployment stalking throughout the land must touch the heart of every worker; but, if we are to find a remedy, if we are to provide help, let us do it in a way so that the one we help may maintain his manhood and self-respect."

Unemployment. From remarks of President Green. Proceedings, 1930, page 308

"The Chair desires to just make a brief statement. * * * Unemployment is the outstanding economic fact at the present time. To me it is a tragedy, The suffering and distress which follow unemployment are in a way indescribable. * * *

"I believe there is a remedy for unemployment, and I believe we can seek and apply that remedy if the people of the country will become sufficiently aroused so that they will demand that industry itself shall put its house in order and it shall discontinue these periodic conditions in the cycle of employment. * * *

"I maintain that it is a reflection upon our civilization to have here in America 3,000,000 people unemployed seeking work and wanting work. It is indefensible, it is economically wrong, it is morally wrong, socially it is a disgrace, and the American Federation of Labor must press forward until we find a solution."

Maternity and infancy. Proceedings, 1930, page 105. From executive council report

"The maternity and infancy act came to an end June 30, 1929. Before that time, however, bills were introduced to extend the life of the law. In December 1929, President Hoover made a recommendation that the maternity and infancy act be restored, but that part of its provisions come under the control and supervision of the Public Health Service. Bills to that effect were reported in February 1930, but there was such opposition that nothing was done. It was contended that maternity and infancy laws should be administered by the Children's Bureau of the Department of Labor."

NOTE.—Indicates how often social necessities are sidetracked.

PROCEEDINGS, 1931

Unemployment insurance—debate. Proceedings, 1931, pages 374-393

Chairman Woll reading from a statement submitted to the royal commission of unemployment insurance by the Trade Union Congress and General Council. Chairman Woll attempted to show that the proposals before the convention were "doles" and not what should be called "unemployment insurance." "It is true we have a body here and there that has declared in favor of unemployment insurance. That does not say they have given the thoughtful study and consideration required before taking our Nation into an adventure of this kind. I think we should be commended for pointing out the dangerous features of a system of this kind."

Pages 372-398: Delegate Duncan, Seattle * * * "You did not hear the British fraternal delegates referring to unemployment insurance as a 'dole', did you? No. They told you that unemployment insurance has done more to maintain the standards of the workers in Great Britain than any other agency in this crisis. Instead of degrading man, it has given a man a chance to stand up and say, 'No; I will not go in and work for less than my fellows get. I at least will not starve to death.' Oh, they may paint a very fine picture in this report, but I hope we will not have to go back to our constituency and say, 'Read that; it is good soothing sirup.'"

Pages 376-377: Delegate Hoffman, meat cutters. "There may be danger in unemployment insurance, call it what you will; you can call a horse a cow, but that does not necessarily make a horse a cow. So I say relief ought to be given to this unemployed situation in the United States and it ought to be given at once. I am for anything that is going to help the unemployed."

Pages 377-379: Delegate Trotter. Suggested that the fraternal delegates be permitted to make corrections on the bitter attack made by Chairman Woll. President Green felt that the visitors did not want to inject themselves into the internal affairs of the American Federation of Labor.

Delegate Furuseth, seaman, declared his sympathy with remarks favoring unemployment insurance made by Delegate Duncan, Seattle, as far as it afforded bread for the unemployed. In floor discussion with Delegate Tobin he claimed that neither the executive council nor the committee told what workers must do for bread. Meanwhile, he perhaps did not favor unemployment insurance.

Unemployment insurance. Proceedings, 1931, pages 148-165

The executive council presented an extensive review of unemployment insurance in Great Britain and Germany. Finally offering the following proposals:

"First, we propose that a national conference of employers and labor be called by the President of the United States to deal directly and constructively with the unemployment problem and to devise ways and means by which and through which all working people may be accorded an opportunity to share in all work available.

"Second, in order to accomplish this purpose, we propose the immediate inauguration of the 5-day workweek and the shorter workday in all public and private industry.

"Third, the maintenance of the wage structure and wage standards.

"Fourth, work assurance. A guaranty to all those worker who are employed that they are secure in their positions and that through the application of the shorter work day and the shorter work week all would be accorded an opportunity to share equitably in all work available.

"Fifth, the prohibition of child labor and the employment of adults in order that the slack of unemployment may be taken up.

"Sixth, the stabilization of industry with particular reference to those industries which are classified as seasonal in character. This would contemplate the application of a plan whereby improvements could be carried on during periods of seasonal recession when because of the season character of the industry the demands for goods has substantially declined.

"Seventh, the application of more scientific plan of industrial production so that a stable balance may be maintained in order that production may be carried on systematically over longer periods of time."

Maternity and infancy. Proceedings 1931, page 347

"Your committee expresses very great gratification in the work done to protect the Children's Bureau in the Department of Labor in its function of caring for maternity cases.

"It recommends that every effort be made to secure the passage of a maternity and infancy act that will enable the Children's Bureau to function as formerly in the care of maternity cases."

Unanimously adopted.

Unemployment. Pages 354-368

A series of resolutions suggesting many remedies short of unemployment insurance. The principle ones were Public Works programs and long-range planning.

PROCEEDINGS, 1932

Unemployment insurance. Pages 334-360. A series of resolutions were presented on unemployment insurance.

Resolution no. 8, proposed that Congress be petitioned to pass a law creating unemployment insurance.

Resolution no. 13, presented a resolution adopted by the thirty-second regular convention of the United Mine Workers of America calling for a study of the subject to the end that "unemployment insurance or some plan equally as good or better be worked out and presented in the legislative halls of the State and Nation"—and is accompanied by a comprehensive report which is submitted as the work of the international officers of the United Mine Workers of America, favoring the enactment of laws to establish unemployment insurance or unemployment reserves.

Not accepted.

Pages 335-360. Resolution no. 29 urged the enactment of compulsory unemployment insurance at the expense of the State and the employers.

Resolution no. 39 proposed "a system of unemployment insurance inaugurated and controlled by the States and supervised by the Federal Government" and "to be a charge on industry in the same way as workmen's compensation for accident."

Resolution no. 59 declared for unemployment insurance by State and Federal enactment

The report of the executive council recommending enactment of unemployment insurance, the contributions to which "should be paid by management as a part of the cost of production"—was adopted after an extended debate.

NOTE.—This is their "most definite swing before 1934 toward social insurance."

Pages 358-360: Delegate Donnelly, representing the Ohio Federation of Labor, and a member of the Ohio Commission on Unemployment Insurance, wanted the American Federation of Labor to take a definite stand on unemployment insurance. He concluded as follows: "* * * So I say, and this commission says (the Ohio commission) that even during periods of prosperity we have unemployment that affects great groups of people and we could relieve the situation. Even if we had to face such a situation as we have had in the past 3 years we would have had at least \$184,000,000 in Ohio to reimburse the workers of the State, and we would not have been losing the homes of the State."

Old age. Page 362

The executive council's report contains references to certain bills on old-age pensions pending before Congress.

"We express the hope that legislation on this subject will be forthcoming in the near future. Steady progress is being made in the promotion of State legislation providing for old-age pension systems. Further efforts of the American Federation of Labor and the various State branches was advocated."

Report was unanimously adopted.

PROCEEDINGS, 1933

Old age. Page 526

Resolution No. 13, with the following resolve, was unanimously adopted:

"*Resolved*, That the American Federation of Labor, in its fifty-third annual convention held at Washington, D. C., beginning October 2, 1933, request every serious effort possible to find ways and means to force the next session of the Congress of the United States to enact a compulsory old-age pension as Federal and State laws."

Unemployment insurance. Page 461, from Resolution No. 14

The following resolution was adopted after the committee on resolutions had noted the executive council report of the year before which had pointed out the constitutional limitations preventing enactment of a compulsory unemployment-insurance law applicable to all workers.

"*Resolved*, That the American Federation of Labor * * * beginning October 2, 1933, urges every possible means and power available to make the necessary arrangements to fight during the next session of the Congress of the United States for the enactment of such compulsory unemployment insurance legislation as may be permissible under the Constitution, including provisions for Federal aid to the States, and to urge the enactment of compulsory unemployment insurance laws in every State in the Union."

PROCEEDINGS, 1934

Old age. Page 551

The executive-council report called attention to the fact that 20 States are

"It is to be regretted that our National, as well as so many of our State Governments, have failed thus far to respond to this great and humane requirement. We direct every possible effort be made to remedy this grievous situation, and recommend approval of this section of the report of the executive council."

After a brief discussion, it was unanimously adopted. Page 553.

Social insurance. Proceedings, pages 598-603

Resolutions Nos. 10, 20, 32, 38, 57, 76, 91, 101, 124, 126, and 186 dealt with the question of social insurance. They were reported upon in a group, as follows in part:

"The Cincinnati convention in 1932, by unanimous action, placed the American Federation of Labor on record in favor of compulsory employment insurance. Three years before, the Toronto convention gave an equally effective expression to the conviction on the part of this federation that the time had arrived in American industry when it was in the interest of general welfare that provision should be made for old-age pensions. Taken together with workmen's compensation, this provides for the major hazards of industry. The experience of the passing months has confirmed your committee in the soundness of their declaration in favor of social insurance. Your committee therefore recommends concurrence with the intent of these several resolutions looking toward the endorsement of this proposal." * * *

"Your committee recommends the whole-hearted endorsement by this convention of the general proposals for social insurance, in line with action which has already been taken by previous conventions, and of study of those other phases of social insurance upon which previous conventions have not already acted. We concur with those proposals for support of social insurance that have been set forth in the legislative program of the federation and noneconcur with methods that have been advanced which are at variance with this sound and established policy."

Report unanimously adopted.

The CHAIRMAN. All right, Mr. Gordon. Mr. Browder.

STATEMENT OF EARL BROWDER, NEW YORK CITY, REPRESENTING THE COMMUNIST PARTY

Mr. BROWDER. Mr. Chairman and gentlemen of the committee, speaking for the Communist Party, and for the approximately 600,000 organized workers who have endorsed our program, and for the several millions who have endorsed our position on unemployment insurance, I want to oppose the bill before this committee which embodies the administration conception of unemployment, old-age, and social insurance.

It is the position of the Communist Party that it is the responsibility of the National Government to provide, against all those vicissitudes of life which are beyond individual or group control, a guaranty of a minimum standard of decent livelihood equal to the average of the individual or group when normally employed. This, always a vital necessity, has now, due to the economic crisis and the protracted depression, become literally a matter of life and death for millions, and for the main bulk of the population a basic factor for maintaining standards of life.

Any proposed legislative enactment which claims to forward this aim of social security must be judged by the degree to which it embodies the following provisions:

1. It must maintain the living standards of the masses unimpaired. Anything less than this is not social security, but merely institutionalizing the insecurity, the degradation of the masses. It must provide

for benefits equal to average normal wages, with a minimum below which no family is allowed to fall.

2. It must apply to all categories of useful citizens, all those who depend upon continued employment at wages for their livelihood.

3. Benefits must begin at once, when normal income is cut off, and continue until the worker has been reemployed in his normal capacity and reestablished his normal income.

4. The costs of social insurance must be paid out of the accumulated and current surplus of society, and not by further reducing the living standards of those still employed. That means that the financing of the insurance must come from taxation of incomes, beginning at approximately \$5,000 per year, and sharply graduated upward, with further provisions for taxation of undistributed surpluses, gifts, inheritances, and so forth.

5. Social-insurance legislation must provide guarantees against being misused by discriminations against negroes, foreign-born, and the young workers never yet admitted into industry, and other groups habitually discriminated against within the existing social order.

6. Guaranties must be provided against the withholding of benefits from workers who have gone on strike against the worsening of their conditions, or to force workers to scab against strikers, or to force workers to leave their homes, or to work at places far removed from their homes.

7. Administration of insurance must be removed from the control of local political machines, to guarantee that the present scandalous use of relief funds to impress masses into support of the Democratic Party shall not be made permanent under pretext of "insurance"; this means, that administration must be through the elected representatives of the workers involved, making use of their existing mass organizations, relying upon democratic self-activity and organization.

The Communist Party opposes the Wagner-Lewis administration bill because it violates each and every one of these conditions for real social insurance. It does not provide for any national system at all, and the systems permitted for the various 48 States in effect prohibit the incorporation of any of the above-mentioned seven essential features.

The Wagner-Lewis bill prohibits benefits of more than a fraction of average normal wages. It specifically excludes from its supposed "benefits" whole categories of workers, such as agricultural and domestic workers and those employed in small establishments, who need insurance the most because they are the most insecure, the most exploited and oppressed, and which include the majority of the Negroes. It provides for a benefit period which is only a small fraction of the average period of unemployment.

Examining only these three phases of the Wagner-Lewis bill, the conclusion cannot be escaped that the result of the bill would be to provide even less than is now being given in relief, miserably inadequate as that amount is, and to cut off from even this reduced amount the great masses now unemployed. The plain intention of this bill is to reduce the volume of governmental aid to all those suffering from involuntary unemployment.

When it comes to provisions for financing this parody of insurance,

and to place all burdens upon the poor. Nothing is to be taken from the social surplus, which exists only in the form of the higher-income brackets, undistributed surpluses, and so forth; everything is to be taken directly out of the meager and decreasing wage fund and indirectly from the same source by a tax on pay rolls which inevitably is passed on to the masses of consumers in a magnified amount.

Instead of guaranteeing against further intensification of discrimination against Negroes, the foreign-born, and young workers, the Wagner-Lewis bill does the opposite; it provides explicitly for such further discrimination, by excluding from benefits those who need them most, agricultural and domestic workers.

Instead of guaranties against the use of insurance as a strike-breaking machinery, this bill in application would become an elaborate black-list system for the destruction of the trade unions. The only system of organization that could flourish under the Wagner-Lewis bill would be the company unions, those menacing forerunners of fascism in the United States.

Instead of providing for democratic administration of the insurance system by the workers, the Wagner-Lewis bill would impose an enormous bureaucracy, entirely controlled by appointment from above, which would make into a permanent institution that system which in the present relief administration has already shown itself as the greatest menace to our small remaining civil liberties and democratic rights. We already have enough examples in the labor boards which are doing tremendous damage to organized labor.

These are the reasons, in concentrated outline, why the Communist Party opposes the Wagner-Lewis bill. These are the reasons why we declare this bill is not even a small step toward real insurance, but on the contrary, a measure to prohibit, to make impossible, a real social-insurance system.

The alternative to the Wagner-Lewis bill is before Congress for its consideration, in the form of the workers' unemployment, old-age, and social-insurance bill, H. R. 2827, introduced by Congressman Ernest Lundeen of Minnesota. This bill, H. R. 2827, while still suffering from a few defects, embodies in the main the principles which we support energetically and unconditionally, for which we have been fighting for many years. Only the principles embodied in H. R. 2827 can provide any measure of real social security for the toilers of the United States.

It is one of the symptoms of the irrationality of our present governmental system, from the point of view of the interests of the masses of the people, that this committee is considering legislation on unemployment insurance without having before it the workers' bill, the only project which has organized mass support throughout the country based upon intelligent discussion involving millions of people. The workers' bill is supported not only by the Communist Party and its 600,000 supporters for whom I speak, but by several million other organized workers, farmers, and middle-class people.

There is a fashion, nowadays, for every upstart demagogue to try to impress Congress and the country with fantastic figures of tens of millions of supporters for each new utopia, each quack cure-all, which exploits the misery of the masses. I have no desire to compete in this game, the paper counters of which cannot be checked against any reality. The figures which we cite of organized supporters of the

workers' bill are verifiable membership figures of established mass organizations, almost all of them of long standing and including a great section of the American Federation of Labor.

An attempt is being made to smother in silence the workers' bill, both in Congress and in the newspapers. To make more plausible this silence on the workers' bill, which is the only practical alternative to the Wagner-Lewis bill, there has been trotted out as the "alternative" a straw man in the shape of the so-called "Townsend plan." It is very easy to tear to pieces this straw man, in spite of its very praiseworthy desires to care for the aged, and to consider that this disposes of the workers' bill, which makes really practical provision for those over working age. But it will not be so easy to get the masses to accept this verdict. Even such loyal servants of the administration as the executive council of the A. F. of L., who have swallowed, one after another, the injuries and insults dealt the workers for 2 years and who have bitterly opposed the workers' bill, have been forced to draw back before the discredit and mass revolt against them which must inevitably be the lot of all who identify themselves with the Wagner-Lewis bill.

The workers' bill is before the Congress and before the country. You have not answered it. Your present bill is no answer but only a new insult to the suffering millions. You cannot continue to answer only with silence.

We know, of course, that the enemies of the workers' bill have prepared and are preparing their arguments against it, when it shall finally force itself upon the floor of Congress. It would be more honest if they would at once place their arguments, and the comparison of the two alternative programs, before this committee and others and before Congress as a whole.

All arguments against the workers' bill finally resolve themselves into one, the argument that "it costs too much"—that "the country cannot afford it."

What does this mean, the statement that "the country cannot afford it"?

Does it mean that our country is too poverty-stricken to care for its own people at a minimum decent living standard? Does it mean that in our country we do not have enough productive land, natural resources, plants, machinery, mines, mills, railroads, and so forth, or that we lack trained, skilled people to operate them?

Such an answer would be, of course, only nonsense. All the wise men and authorities of the country are wailing that we have too much of these things and of the commodities they produce. The Government has been exerting all its wits to reduce the supply to destroy the surplus which it claims causes all the trouble.

Does it mean that the Government is unable—is too weak—to raise vast sums of money on short notice? That answer, too, is excluded. Our memories are not so short that we fail to recall how, in 1917-18, the Government raised tens of billions of dollars for participating in a destructive war; if we can afford to sink tens of billions in explosives, poison gases, battleships, and other materials to destroy millions of people abroad, why cannot we spend similar sums to provide food, clothing, and shelter to save the lives of millions of people at home?

No; that phrase "the country cannot afford it", can only have one meaning; that the small group—an infinitesimal fraction of the population—which owns all the chief stores of accumulated wealth and productive forces and which dictates the policies of government, refuses to pay; while the masses of people, who need insurance precisely because they have been robbed of all, cannot pay.

But our country cannot and does not avoid paying the bill for unemployment, old age, maternity, and other hazards. Now the country pays, not in money but in the lives of men, women, and children. This is the price which, above all other prices, the country really cannot afford to pay.

We propose that our country shall begin to pay the bill in that only currency we can afford, in the accumulated wealth and productive forces, by taxing the rich.

We propose to reverse the present policy, which taxes the poor in order to relieve and further subsidize the rich; we propose to tax the rich to feed the poor.

Those gentlemen who argue that despite our country's immense wealth it cannot afford real unemployment insurance because the cost would dig into profits, and that our present system cannot operate if it touches these sacred profits, are really pouring oil on the fires of radicalization that are sweeping through our country. Millions of our people—the useful ones, those who work—are sick and tired of being told about the sacredness of profits, while their children starve. They are more and more getting into that mood which, in a previous crisis of our national life, produced the Declaration of Independence. The direction of the masses now, as then, is a revolutionary one, with this difference, that then it was independence from King George and a dying feudalism that was required, while today it is independence from King Profits and a dying capitalism which tries to prolong its life at the cost of denying social insurance.

We Communists have been denounced in this Congress, as well as in the daily press, as enemies of our country, as a "menace", because we speak of the possibility and necessity of revolution to solve the problems of life of the great majority of the people. We have been accused of all sorts of silly things, such as "plots to kidnap the President", of being bombers, conspirators, and so forth. All that is nonsense, but very dangerous nonsense—it is a screen of poison gas to hide the attacks that are being made against all democratic rights, against the trade unions, against the living standards of the people. History has shown beyond dispute that such attacks, beginning against the Communists, never end there, but only in a full-fledged Fascist dictatorship which destroys all rights of the people.

The Communist "menace" really means that those moneyed interests which finance this great campaign against communism, knowing that millions of people are in a really desperate situation and a desperate frame of mind, are afraid that these millions will go over to the Communist Party and program.

But those gentlemen who really want to remove this "menace" should listen to the advice which we, the Communists, give you gratis. Remove the desperate situation of these millions, grant that minimum measure of real social security such as is provided in the workers' bill, prove in fact, in life, that it really is possible for the

masses to continue to live under capitalism. In reality we are fighting to improve the living standards of the masses; when revolution comes it will be because the rulers of this country have proved that there is no other way out, that there is no other way toward a secure life.

It is worth remembering, that after 1776, when our Declaration of Independence acted as the spark that set fire to the democratic revolution in France and throughout Europe, the reactionary forces of the world fought against the "dangerous" ideas that were supposed to be "imported from America." Today the same comedy is repeated but this time the revolution is said to be "imported from Moscow." In both cases, the deep reality behind the nonsensical slogan is that the country attacked is the one that is showing the way to the solution of the problem of the people. "Moscow", that is the Soviet Union, has adopted complete social insurance, has solved unemployment, is improving the living standards of all the people, is enormously expanding its economic life. Do a better job, or even just as good, and "Moscow" will be not the slightest danger.

Present proposals which, while denying real unemployment insurance, would enact some new alien and sedition laws, to crush down the growing demand for a better life, also recall moments in the past history of our country. We had a period of alien and sedition laws in the early 1800's, also adopted and carried out in the interests of established property and designed to crush a democratic movement arising from the masses of the people. The party which sponsored those laws went down in disgrace and defeat, the laws were repealed after long suffering and struggles, those against whom the alien and sedition laws were directed came into direction of the affairs of the country. Any attempt to solve today's problems by alien and sedition laws will be as futile as those of the times of Madison and Jefferson.

There is no substitute, there is no way to avoid, the demand for full unemployment, old-age, and social insurance. Its denial will only accelerate the growing revolutionary mass unrest, intensify the social struggles. The Wagner-Lewis bill is a transparent attempt to sidetrack this demand. The new legislation against the Communist Party is only a futile attempt to silence the movement. Neither can succeed. Only the workers' unemployment, old-age, and social insurance bill can satisfy the aroused masses of the useful people, the working people, of the United States.

The CHAIRMAN. All right, Mr. Browder. Mr. Amter.

STATEMENT OF I. AMTER, NEW YORK CITY, REPRESENTING THE NATIONAL UNEMPLOYMENT COUNCIL

Mr. AMTER. I represent here the National Unemployment Council, the national organization of the unemployed of this country, with a membership of approximately 500,000. I speak also in behalf of the 17,000,000 unemployed in the United States who with their families suffer the bitterest want and destitution.

The unemployed of the United States are against the Wagner-Lewis bill and brand it as a fraud against a large section of the population, viz, the unemployed and their families. This bill has been introduced in the United States Congress in order to effect the com-

paign for setting up the only genuine unemployment and social insurance system in the United States, viz, that proposed through the workers unemployment, old-age, and social insurance bill, H. R. 2827, introduced by Congressman Lundeen on January 3, 1935.

It is a noteworthy fact that although some parties, and notably the Republican Party, had declared against unemployment insurance as being "un-American", in the last election campaign every political party advocated unemployment insurance. Thereby those who only pretend to stand for unemployment insurance created the illusion that they intended to provide protection first of all for the millions of unemployed. There is no question, therefore, that many Senators and Congressmen were elected on the illusion they created. There is also no question that some of the Senators now sitting in the Senate Finance Committee, conducting the hearings on the Wagner-Lewis bill, were also elected on this illusion. The workers of this country are again paying the penalty for falling victim to demagogic promises of capitalist politicians.

The whole social-security program of the Roosevelt government is based upon the program laid down by the American Bankers Association, the National Manufacturers Association, and the United States Chamber of Commerce. They are bringing this program to Mr. Roosevelt through the contact committee which they have established. This program is manifest not only in the social-insurance proposals embodied in the Wagner-Lewis bill but also in the relief and works program advocated by Mr. Roosevelt.

Our first objection to the Wagner-Lewis bill is that it completely excludes from its provisions any protection for the 17,000,000 unemployed. We state there are fully 17,000,000 unemployed and base our contention upon the estimate and research work of the Labor Research Association of New York City, which we submit for the record. We wish to add that the number of unemployed under the beneficent hand of Mr. Roosevelt and the "new deal" is not diminishing but is growing. According to a report of William Green, president of the A. F. of L., the number of unemployed at the end of December 1934 was larger than at the end of 1933. This includes 5,000,000 youth, who, according to Dr. Zook, United States Commissioner of Education, and Newton D. Baker, former Secretary of War, have never obtained a job during the 5 years of the crisis. This includes likewise millions of Negroes in all parts of the country, who are the most oppressed even in so-called "normal times", and today are by far the worst sufferers from the crisis. It includes also millions of foreign-born workers, who, together with the Negroes, are being denied relief and are among the most destitute in the country. It includes hundreds of thousands of teachers, engineers, technicians, artists, doctors, writers, white-collar workers, etc.

Even in the days of so-called "prosperity"—February 1929—according to the National Committee on Economic Security, there were 2,817,000 unemployed. According to Harry L. Hopkins, Federal Relief Director "nearly one-sixth of all who are seeking work have been unsuccessful in finding it for nearly 4 years (report of F. E. R. A., September 1934).

At the same time the cost of living is mounting to the skies. Food, which represents 45 percent of the budget of a working-class family, has mounted 30 percent in price in 16 months; clothing, 27 percent.

The farmers are destitute and hundreds of thousands of them together with their families have been driven off the land and are dependent upon relief.

You may dispute our estimate of unemployment. The Federal Administration, and Miss Perkins in particular, stated that there are 9,000,000 unemployed. The National Commission on Economic Security in its report to President Roosevelt on January 17 states that there are 10,000,000 unemployed. At the A. F. of L. convention held in San Francisco, Mr. Watt, executive secretary of the Massachusetts State Federation of Labor, declared there were 16,000,000 unemployed. We declare that Miss Perkins deliberately underestimates the figure. In March 1930, when Hoover was President of the United States and stated that there were 3,400,000 unemployed, Miss Perkins, who at that time was industrial commissioner of New York and a member of the Democratic Party, declared that Hoover falsified the figures to suit his own aims. Hoover said "prosperity around the corner." Mr. Roosevelt also tries to make us believe that conditions are improving and the number of unemployed is decreasing. This is untrue, as the reports from every industrial center clearly manifest.

Let us examine the Wagner-Lewis bill in some detail. The bill cannot go into effect until July 1936. If a worker who at that time is employed and should lose his job, he would be entitled to the equivalent of 50 percent of his wage as unemployment compensation, this not to exceed \$15 per week. No minimum whatever is established. The worker will not receive his insurance immediately but will have to go without compensation for a 4 weeks' waiting period. Since no minimum has been established, it is obvious that many workers will receive a starvation compensation. We call attention to the fact that in the pecan-shelling industry the minimum wage for 40 hours of work is \$6 per week. This shamefully low wage has been established by Mr. Roosevelt because the overwhelming majority of these workers are Negro workers, for whom Mr. Roosevelt has decided that \$6 per week is an "adequate wage." A pecan-shelling worker now employed, but who might lose his work after July 1936 would be entitled to \$3 a week unemployment compensation.

2. The bill further provides that the compensation shall continue for only 15 weeks. In the case of a pecan sheller it would mean a total of \$45. In no case could it amount to more than \$225. After the 15 weeks the worker has no further claim and would be transferred either to home relief or work relief. Only in exceptional cases where a worker has worked a long time would the period of compensation be lengthened. The whole purpose of this is to create a spirit of so-called "loyalty", that is, submission, to any conditions in the shop, in order that at a future date a worker might obtain more unemployment compensation. The purpose of this is to force workers to accept wage cuts and worse conditions within the shop.

3. The bill further provides that a tax on pay rolls amounting to 3 percent shall be raised from among the employers. This tax may be reduced to 2 percent or to 1 percent depending upon the business index in comparison with that of the period of 1923-25. This can have only one of two effects; either to reduce the amount of compensation, or to postpone payment of compensation.

4. The bill excludes from protection so-called "seasonal" and "casual workers," and workers in shops employing less than four workers. It deliberately excludes agricultural and domestic workers. There is practically no industry in the country which is not a seasonal industry. It is obvious, therefore, that a huge section even of the so-called "employed workers" will get no compensation.

5. The bill provides for taxes of 1 percent or 3 percent directly on the wages of the workers. This fact is being concealed, whereas the tax on pay rolls is emphasized. The pay-roll tax, as Senator Wagner, Miss Perkins, and William Green, testifying before the Ways and Means Committee, admitted, would be passed on to the consumer. The great bulk of the consumers are the workers themselves. By raising the price of his merchandise the employer will compel the workers themselves to pay for their insurance. Not only are the workers of the United States (whose wages were lower in September 1934 even than in September 1933) not in a position to pay for their insurance, but the whole Wagner-Lewis unemployment insurance plan is being placed before the working class of the United States as something that is being done for them, whereas in reality it is being taken out of the pay envelopes of the workers.

6. I call attention further to the fact that each employer in the categories specified will have to pay the 3 percent pay-roll tax. This includes the producer of raw material, the wholesaler of raw material, the manufacturer, the jobber, and finally, the retailer. Thus if each pays 3 percent, then by the time it reaches the consumer it may amount to 20 percent or more. This is nothing more than open robbery of the workers.

7. The Wagner-Lewis bill is not a Federal bill, but is merely a plan and system for recommendation to the State governments. The latter are at liberty to adopt it or not. The State governments may exercise discriminatory powers against certain sections of the population—for instance the Negro and foreign-born. The State government might decide on waiting period of 4 months, a minimum or even maximum compensation of \$2 per week, and that the period of compensation might be for 2 or 3 weeks. Thus the whole plan becomes a hoax, but a most serious hoax, since it involves the lives and welfare of the whole working population. The cost to the United States Government in this plan is practically nothing. This is based upon Mr. Roosevelt's contention that any and all insurance schemes must be upon a "sound basis." This "soundness" is not considered when the United States Government makes appropriations for war purposes. Thus at a time when the United States Government is talking "economy" it is appropriating for the coming fiscal year more than \$840,000,000 for war purposes, as last year it spent nearly 2 billion dollars in preparation for war. "Economy" also plays no part in the grants and subsidies of the R. F. C., which has given to the banks, railroads, and big corporations of this country more than \$8,350,000,000 supposedly for the purpose of putting the millions back to work. But the millions remain unemployed while these funds were used by the big corporations for the payment of tremendous profits and dividends, which according to Mr. Richberg, rose up to 600 percent during the first year of the "new deal", and for the purpose of paying the high salaries of officers of the big corporations.

8. When one looks at the old-age pension as embodied in the Wagner-Lewis bill, one observes the whole shamelessness of the bill. The Federal Government proposes that each person above 65 years of age, a citizen, and now destitute, shall receive a maximum of \$15 per month from the Federal Government; provided, each dollar is matched by another dollar furnished by the State government. In other words, a worker who has given the best of his life to the building up of this country and to the creation of wealth which is now in the hands of the Wall Street bankers shall have the munificent income of \$7 a week. But even this is not assured, since most States cannot or will not appropriate sufficient amounts to maintain the aged. There are States today which have old-age pension systems which grant the pensioners as low as \$7 a month. Obviously if they are to match dollar for dollar the pensioner will not be more secure in his position.

The State must raise funds in order to provide the pension. Today the States adopt only one method, which they are putting through with all energy, viz, by means of sales taxes. This again is a direct attack upon the living conditions of the workers.

9. However, in connection, both with the proposed unemployment insurance and old-age pensions, as State institutions and requiring previous residence of 5 years in the State, they put many workers completely beyond the scope of the bill. Workers are obliged to move from city to city and from State to State in search of work. Old men and women move about from son to daughter and to relatives in order to seek refuge. These people would be ineligible either for unemployment compensation or old-age pension.

10. As far as old-age annuity is concerned, we repeat that the wages of the workers are so low that they cannot afford to invest in protection against old age. This must come from other sources.

11. We wish to call the attention of the Finance Committee to the fact that in the provisions of the bill for old-age insurance, dependent children, social insurance, unemployment compensation, maternal and child health, crippled children, child welfare, public health—a whole series of supposed protective measures for the working population—the total expenditure of the Federal Government during the first year would be \$102,500,000 and during the successive years no more than \$267,500,000. With this paltry sum Mr. Roosevelt and the sponsors of the Wagner-Lewis bill pretend to provide “social security” for the American workers.

Is it not clear, therefore, why William Green who only a few years ago also opposed unemployment insurance as “un-American” and later was converted to support of the Wagner-Lewis bill, now, under pressure of the rank and file of the A. F. of L., has been compelled to denounce the Wagner-Lewis bill as “inadequate and unworkable”.

Perhaps the best characterization of the bill has been given by the Rev. Dr. Floyd Van Keuren, executive secretary of the Social Service Commission of the Protestant Episcopal Diocese of New York, who according to the New York Times of February 17 declared:

Whoever actually wrote the bill, if he were honest about it, must have been in that generous but irresponsible mood usually associated with drunken sailors.

This is an insult to the sailors but shows the irresponsibility to the American people of those who are attempting to pass this legislation

through the United States Congress. The National Committee on Economic Security on page 7 of its report declared, "It must be remembered that a large part of the population will not be covered by unemployment compensation." It is in the name of these millions and of those who ostensibly will receive compensation, that the National Unemployment Council protests and demands the rejection of the Wagner-Lewis bill.

In its place we put before you for adoption the workers' bill, H. R. 2827. This bill provides that every worker and farmer in the United States above 18 years of age, be he employed or unemployed, with no discrimination as to age, sex, race, nationality, religious or political affiliation, shall come within the provisions of the bill for Federal unemployment and social insurance. No matter for what reason he or she cannot work, whether it be due to unemployment, part-time, sickness, accident, old age, or maternity, he shall be entitled to insurance equivalent to the average local wage, but at no time shall this be less than \$10 per week plus \$3 for each dependent and this compensation to continue for the whole period of his inability to work through no fault of his own. The funds for this shall be obtained from the United States Treasury and if necessary through a tax on all incomes above \$5,000, inheritances, gifts. The funds shall be administered and controlled by committees of the workers and farmers elected by workers and farmers organizations.

It is no wonder that this bill has the support of every working-class organization before which it has been brought. In spite of the various attacks that were made upon the workers' bill by the leadership of the American Federation of Labor more than 3,000 locals of the American Federation of Labor, 5 internationals, 6 State federations of labor, and 50 central labor bodies have endorsed the bill. In addition the bill has been endorsed by about 70 municipal councils, boards of county commissioners, and so forth. This includes such municipal councils as those of St. Louis, Minneapolis, Milwaukee, Tacoma, Toledo, Buffalo, Allentown, and so forth. Fully 5,000,000 people stand behind the workers' bill.

It is no wonder, therefore, that efforts are being made to rush the Wagner-Lewis bill through the United States Congress. The purpose is to offset the tremendous movement that is growing in this country for genuine social insurance—the movement that recognizes that there is only one bill aimed to furnish genuine social insurance, and that is the workers' bill, H. R. 2827. The workers' bill has been introduced in the United States Congress and also in 10 State legislatures, including Massachusetts, Rhode Island, Connecticut, Minnesota, Ohio, Washington, Oregon, California, and so forth. It has the support of practically every unemployed group and organization in the country as well as organizations of white-collar workers, fraternal, Negro, youth, farm, veteran, and professional organizations.

If the unemployed are not to come within the provisions for social insurance in the United States then what does the Government intend to do with them? On Labor Day of last year William Green declared that the 10,000,000 unemployed represent "40,000,000 people in the United States who are dependent on relief." Mr. Hopkins reports 20,000,000 on the relief rolls in the United States. This means that 20,000,000 are getting no relief whatever. Mr. Roosevelt does not concern himself with these 20,000,000. On the contrary, he demands

that of the 5,000,000 family heads now on the relief rolls 1,500,000 shall be transferred to State and municipal relief. The States and cities are bankrupt and everywhere are placing the burden of maintaining the unemployed on the shoulders of the workers by means of sales taxes. When one considers that even with Federal contributions, relief per family of four in Kentucky in October amounted to \$8.23 a month; in South Carolina to \$9.08; in North Carolina \$9.92 a month, and on a similar level in various parts of the country, then it is obvious that if the Federal contribution is withdrawn the condition of these workers will be driven down still lower.

The Federal Government further proposes to put 3,500,000 unemployed on work relief and "promises" an average of \$50 a month. There is no basis for this promise since in the Emergency Works program of October, 1,950,000 workers received \$51,000,000 in wages or only \$26.16 a month. However, this proposal is an attack upon the organized workers of this country, particularly the building-trades workers, who will have their scale reduced more than 70 percent. It is a dire threat against the living standards of every worker in the United States and is the signal for a vicious offensive of the employers against the trade-union movement of this country.

Further points in the Government program are transient camps, affording food and shelter and 90 cents a week for single men; semi-military C. C. C. camps for nearly 1,000,000 youths who in the camps represent, according to Harry H. Woodring, Assistant Secretary of War, "the first real test of the Army's plans for war mobilization under the National Defense Act"; as well as subsistence homesteads to which 1,000,000 workers from the cities and their families are to be transported to the country-side and to work out an existence of their own without Government support.

This is the program that we can only characterize as a hunger program of the Roosevelt government. The National Unemployment Council will fight against this program and is mobilizing the unemployed, both those belonging to the trade-union movement and the unorganized workers, for a struggle against the whole program. In spite of the growing terror in every part of the country, strengthened by the vicious Hearst press and the Dickstein-McCormick committee; in spite of the semifascist proposals of Father Coughlin and Senator Huey Long; in spite of the fantastic schemes of Dr. Townsend, the utopians, E. P. I. C., and so forth, but above all, in spite of the inherent fascist line of the Federal Government and the organization of such fascist gangs as the vigilantes, crusaders, silver shirts, American Liberty League, and so forth, the fight against the hunger program goes on.

Now, in the sixth year of the crisis, with no prospects but of a deepening of the crisis and of another world war, the workers of the United States are demanding some form of security. We do not ask what the cost will be. When the United States Government decided to enter the World War, it did not ask what it would cost. There is no greater war today than the war against hunger. We demand that the wealthy of the country be compelled to pay for the relief and for social insurance for the poor. We demand that the Senate Finance Committee reject the Wagner-Lewis bill and urge that it endorse the workers' bill, H. R. 2827, and report it for passage by the United States Senate.

In conclusion we wish to say that regardless of what your action may be, we will continue the fight until we compel the United States Congress to enact the workers' bill. The National Congress for Unemployment and Social Insurance held in Washington on January 5 to 7 was a step in the building of the united front of all sections of the working population. This united front will be broadened and deepened in spite of the efforts that are being made by the enemies of the workers, both inside and outside our ranks. This united front is the guarantee that we will march forward shoulder to shoulder in the struggle for genuine social insurance, in the struggle for our rights.

I am submitting the data that I referred to.

JOBS, WAGES, AND PROFITS DURING THE CRISIS YEARS

Prepared by Labor Research Association

The data which follows is presented for the purpose of showing certain trends in employment and earnings of workers and the profits made by corporations during recent years. The figures speak for themselves, showing the contrast between the amounts received by the wage-earning class—due to unemployment, part-time employment, and wage cuts—and the amounts which were reported as profits during the same period by leading corporations in various industries.

These figures show very clearly the way in which the position of the workers has become less and less secure, and, in the absence of unemployment insurance, they show just what it has cost the working class to carry the crisis on their shoulders while corporations were reporting substantial profits which in a large number of cases were translated into dividends for the investing class.

EMPLOYMENT, PAY ROLLS, AND ANNUAL EARNINGS

Severity of the decline in employment in manufacturing industries in the United States between 1929 and 1933 is clearly indicated by table I which shows the percentage declines industry by industry. In some instances the decline was as much as 50 or 60 percent. The greatest declines are noted in such producers' goods industries as electric manufacturing, lumber, and foundry and machine shop products.

The list of selected manufacturing industries given in tables II and III includes all industries which employed over a hundred thousand wage earners in 1933 with exception of the motor vehicles industry, which covered about 98,000 wage earners in 1933. Table I shows that out of every 100 wage earners employed in 1929, only 40 were employed in the electrical industry in 1933, only 43 in the motor vehicle industry, only 45 in lumber and timber products, etc.

This sharp decline in employment between 1929 and 1933 was accompanied by an even sharper decline in pay rolls or the total amount of wages paid to the workers who were still employed. As indicated by table I, pay rolls dropped as much as 74.6 percent in the electrical machinery industry; 73.2 percent in lumber; and 71.7 percent in the motor vehicle industry. This greater decline in the pay roll column was of course due to the wage cuts forced upon the workers as well as the part-time work prevalent under the stagger or share-the-work system, under which the workers actually shared their misery with one another.

The effect on individual workers of the relatively greater decline in pay rolls than in employment may be better observed from table II, which shows the decline in average yearly earnings from 1929, 1931, and 1933, industry by industry. Here we find that average yearly earnings of workers in some industries dropped as much as 46.4 percent, for example in steel works and rolling mills. It should be noted also that some industries that showed relatively smaller declines in average yearly earnings were those that showed a very low average to begin with in 1929. The lowest in 1929 was cotton goods which declined to \$570 in 1933.

Compared with the drop in the cost of living, as measured by the budgets of the United States Bureau of Labor Statistics—a drop which amounted, even according to their figures, to only 23 percent between 1929 and 1933—we find that the decline in average yearly wages in most industries was far greater. In one

of them—steel works and rolling mills—the wage drop actually doubled the drop in the cost of living.

The data on separate industries as given in table III shows the extent of the actual decline in various manufacturing industries from 1929 to 1933. It will be seen that even those industries such as meat packing and steel that showed some increase in employment between 1931 and 1933, registered at the same time a still further drop in annual earnings.

TABLE I.—*Decline in employment and pay rolls in selected manufacturing industries in the United States, from 1929 to 1933*¹

INDUSTRY	Percentage decline, 1929 to 1933	
	Employment	Pay rolls
All food industries.....	11.6	31.2
Bread and bakery products.....	9.2	28.4
Boots and shoes, other than rubber.....	7.2	36.1
Electrical machinery, apparatus, and supplies.....	60.2	74.6
Foundry and machine shop products.....	52.4	71.0
Furniture, including store and office equipment.....	45.5	68.6
Lumber and timber products.....	54.8	73.2
Meat packing, wholesale.....	7.6	32.3
Motor vehicle bodies and parts.....	34.2	59.5
Motor vehicles.....	56.7	71.7
Nonferrous metals and their products.....	40.2	62.4
Printing and publishing.....	24.0	42.2
Steel works and rolling-mill products.....	29.8	62.4
Textiles and their products.....	13.7	41.3
Clothing, women's.....	14.8	47.7
Cotton goods.....	10.7	33.3
Knit goods.....	9.0	37.3
Silk and rayon goods.....	15.4	46.1

¹ Based on United States Census of Manufactures. With the exception of motor vehicles industry, all industries covered had 100,000 or more wage earners in 1933. All 1933 figures used for this table are preliminary. Slight corrections may be made in the final census tabulations.

TABLE II.—*Average yearly earnings and percentage decline, 1929-33, in selected manufacturing industries in the United States*¹

Industry	Average yearly earning			Percentage decline, 1929-33
	1929	1931	1933	
All food industries.....	\$1,198	\$1,142	\$931	22.3
Bread and bakery products.....	1,367	1,307	1,078	21.1
Boots and shoes, other than rubber.....	1,082	900	744	31.2
Electrical machinery, apparatus, and supplies.....	1,388	1,135	885	36.2
Foundry and machine-shop product.....	1,535	1,153	933	39.2
Furniture, including store and office equipment.....	1,256	987	724	42.4
Lumber and timber products.....	1,066	793	598	40.6
Meat packing, wholesale.....	1,354	1,261	992	26.7
Motor-vehicle bodies and parts.....	1,656	1,286	1,018	38.5
Motor vehicles.....	1,621	1,162	1,060	34.6
Nonferrous metals and their products.....	1,409	1,150	886	37.1
Printing and publishing.....	1,801	1,717	1,368	24.0
Steel works and rolling-mill products.....	1,746	1,279	935	46.4
Textiles and their products.....	1,015	871	690	32.0
Clothing, women's.....	1,301	1,088	797	38.7
Cotton goods.....	763	666	570	25.3
Knit goods.....	1,011	840	696	31.2
Silk and rayon goods.....	1,054	892	672	36.2

¹ See footnote, table I.

TABLE III.—*All food industries*¹

Year	Wage earners	Wages (thousands)	Average yearly earnings
1929.....	753,247	\$902,143	\$1,198
1931.....	635,359	725,669	1,142
1933.....	666,237	620,558	931
BREAD AND BAKERY PRODUCTS			
1929.....	200,841	\$274,562	\$1,367
1931.....	183,161	239,331	1,307
1933.....	182,382	196,672	1,078
BOOTS AND SHOES (OTHER THAN RUBBER)			
1929.....	205,640	\$222,408	\$1,082
1931.....	181,374	163,271	900
1933.....	190,914	142,054	744
ELECTRICAL MACHINERY, APPARATUS, AND SUPPLIES			
1929.....	328,722	\$456,378	\$1,388
1931.....	180,106	204,488	1,135
1933.....	130,857	115,750	885
FOUNDRY AND MACHINE SHOP PRODUCTS			
1929.....	454,722	\$697,509	\$1,535
1931.....	284,909	328,459	1,153
1933.....	216,439	201,940	885
FURNITURE, INCLUDING STORE AND OFFICE EQUIPMENT			
1929.....	193,399	\$242,832	\$1,256
1931.....	127,605	125,972	987
1933.....	105,488	76,346	724
LUMBER AND TIMBER PRODUCTS			
1929.....	419,084	\$421,585	\$1,006
1931.....	196,647	155,87	793
1933.....	189,367	113,183	598
MEAT PACKING, WHOLESALE			
1929.....	122,505	\$165,867	\$1,354
1931.....	106,707	134,530	1,261
1933.....	113,193	112,266	992
MOTOR VEHICLES, BODIES, AND PARTS			
1929.....	221,332	\$366,503	\$1,656
1931.....	150,649	193,770	1,286
1933.....	145,745	148,322	1,018
MOTOR VEHICLES			
1929.....	226,116	\$366,479	\$1,621
1931.....	134,866	156,756	1,162
1933.....	97,869	103,785	1,060

¹ Source, same as tables I and II. The last column is obtained by dividing the third column by the second one.

TABLE III.—*All food industries*¹—Continued

NONFERROUS METALS AND THEIR PRODUCTS

Year	Wage earners	Wages (thousands)	Average yearly earnings
1929.....	314,741	\$443,467	\$1,409
1931.....	208,855	240,177	1,150
1933.....	188,271	166,722	886

PRINTING AND PUBLISHING

1929.....	281,119	506,290	1,801
1931.....	255,480	438,630	1,717
1933.....	213,786	292,472	1,368

STEEL WORKS AND ROLLING MILL PRODUCTS

1929.....	394,574	689,016	1,746
1931.....	254,634	338,387	1,279
1933.....	276,847	258,803	935

TEXTILES AND THEIR PRODUCTS

1929.....	1,707,798	1,733,031	1,015
1931.....	1,420,808	1,238,179	871
1933.....	1,474,325	1,017,301	690

WOMEN'S CLOTHING

1929.....	187,500	243,851	1,301
1931.....	173,890	189,187	1,088
1933.....	159,832	127,418	797

COTTON GOODS

1929.....	424,916	324,289	763
1931.....	329,962	219,680	666
1933.....	379,445	216,384	570

KNIT GOODS

1929.....	208,488	210,714	1,011
1931.....	178,011	149,589	840
1933.....	189,698	132,030	696

SILK AND RAYON GOODS

1929.....	130,467	137,547	1,054
1931.....	109,225	97,409	892
1933.....	110,322	74,110	672

SPECIAL MEMO ON COAL MINING

The problem of the coal industry is not simply a result of the present great depression. Progressive unemployment and decline in wages began in the years preceding 1929. The data given below show that coal miners in the bituminous and also in the anthracite fields have been exposed to severe unemployment and wage cutting for an even longer period of time than workers in other industries.

In all, about 325,000 miners were dropped by the coal industry in the 10 years between 1923 and 1933, according to figures from the United States Bureau of Mines, shown in table IV. In 1923 the soft-coal industry employed 704,793 workers, while in 1929 the figure was 502,993. In 1932 the number employed in soft-coal mines was 406,380. In 1933 total employment was still only 418,703 in the bituminous industry. In other words, 286,000 men who had jobs in this

industry in 1923 were out of the industry in 1933. Nor do preliminary figures for 1934 indicate much improvement in employment.

TABLE IV.—Average number of men employed at mines in operation

1923-----	704, 793	1931-----	450, 213
1929-----	502, 993	1932-----	406, 380
1930-----	493, 202	1933-----	418, 703

Anthracite mining dropped about 40,000 men between 1923 and 1932. From 157,743 workers employed in 1923, the number fell to 151,501 in 1929, to 139,431 in 1931, and then to only 121,243 in 1932. The index of employment in anthracite mining in November 1934, as given by the United States Bureau of Labor Statistics in *Trend of Employment*, shows employment in anthracite mining standing at only 60.7 percent of the 1929 level.

About 325,000 mine workers, including 286,000 from the bituminous industry and about 40,000 from the anthracite industry, are the jobless mine workers who cannot find work in or around the coal mines of the United States.

A report just issued by the United States Bureau of Labor Statistics under the title *Wages and Hours of Labor in Bituminous Coal Mining, 1933*, shows how wages of soft-coal miners have fallen since 1922.

Here is the summary conclusion of this Government Bureau in reporting the earnings of miners, loaders, and other wage earners in all occupations in the industry, during the early part of 1933:

"The various studies made by the Bureau of Labor Statistics of wages and hours of labor of wage earners in the bituminous-coal industry in the United States show that there has been a continuous decrease in average earnings in the industry from 1922 to 1933.

"The amount earned per hour averaged 85.3 cents in 1922, 78.8 cents in 1924, 76.3 cents in 1926, 65.9 cents in 1929, 59.8 cents in 1931, and 41 cents per hour in 1933. *The decrease between 1922 and 1933 was 52 percent, and between 1929 and 1933 was 38 percent.*" (Italic our emphasis—L. R. A.)

For miners and loaders, representing nearly two-thirds (63.3 percent) of all the mine workers, the drop in average hourly earnings was even greater. Where miners and loaders averaged 91.5 cents per hour in 1922, they averaged only 39.5 cents an hour in 1933. The report points out that this average per hour in 1933 is 57 percent less than the 1922 average and 34 percent less than the 1931 average.

Miners and loaders averaged \$7.03 a day in 1922. By 1931 average earnings per day had dropped to \$4.82, and by 1933 to \$3.18.

Yet while wages fell, the average time per day spent in the mine increased from 8.3 hours in 1922 to 8.9 hours in 1933. Miners must now spend more time in traveling to get from the mine mouth to the working face and back, as the mines in the United States are gradually worked out. Here are a few figures that show how earnings fell, while hours increased, for miners and loaders:

TABLE V.—Bituminous-coal mining, average hours and earnings of miners and loaders, 1922-33

	Average hours (time in mines)	Average earnings			Average hours (time in mines)	Average earnings	
		Half month	Per day			Half month	Per day
1922-----	8.3	\$62.60	\$7.03	1929-----	8.8	\$49.85	\$5.50
1924-----	8.5	54.44	6.60	1931-----	8.8	33.82	4.82
1926-----	8.6	61.61	6.46	1933-----	8.9	22.59	3.18

But this Government report just issued does not point out that N. R. A. code wages for miners in 8 of the 17 districts have now been set at a rate lower than the average for all miners in 1931. Where the general average 4 years ago was \$4.82 a day, the N. R. A. basic day rate is \$4.60 in District C and only \$3.80 in Alabama, Georgia, and southern Tennessee.

In November 1934, according to the Trend of Employment issued by the United States Bureau of Labor Statistics, the total pay roll in bituminous mining was still only 58.3 percent of the 1929 level.

In anthracite mining the same Federal Bureau shows total pay rolls in November 1934 as only 51.2 percent of the 1929 level.

ECONOMIC NOTES

[Labor Research Association, February 1935, p. 8]

Summary of Labor Research Association's estimate of unemployment in November 1934 (preliminary)

Occupation	Wage earners	Salaried employees, independents, owners	Total
Agriculture.....	719,000	¹ 1,070,000	1,789,000
Forestry and fishing.....	81,000	4,000	85,000
Extraction of minerals:			
Coal.....	165,000	4,000	169,000
Metal mining.....	85,000	9,000	139,000
Quarries and nonmetal.....	45,000		
Oil and gas wells.....	30,000	7,000	37,000
Manufacturing and mechanical:			
Building.....			2,041,000
Manufacturing.....	2,629,000	631,000	3,260,000
Transportation and communication:			
Railroads (steam).....			621,000
Telephone, telegraph.....			182,000
Postal Service.....			34,000
All other.....			612,000
Trade:			
Wholesale, retail.....			903,000
All other.....			427,000
Professional service.....			852,000
Domestic and personal service:			
Laundries, cleaning, dyeing, etc.....			60,000
Hotels, restaurants, etc.....			276,000
All other.....			868,000
Public service.....			132,000
Industry not specified.....			643,000
Increase in number of gainful workers since 1930.....			3,227,000
Deficiency in unemployment census, etc.....			800,000
Total.....			17,157,000

¹ Includes unemployed family labor and farmers.

² Includes auto repair, railroad repair shops, and independent hand trades.

³ Includes automotive agencies.

In this estimate of unemployment, part-time workers are as usual considered as employed. Persons working on Government relief projects are considered as unemployed. These workers on special government funds were estimated by United States Bureau of Labor Statistics for October 1934 as follows:

On construction projects financed by Public Works Administration.....	508,000
Emergency work program.....	1,950,000
Emergency conservation work.....	392,000
Total.....	2,850,000

Excluding these 2,850,000 on special relief and public works, the total completely unemployed in November 1934 was about 14,307,000.

A separate report giving comparison with our 1933 revised estimate is available for those subscribers desiring it.

The CHAIRMAN. All right, Mr. Amter. Mr. Nathan Cronheim, Local Action Committee, Philadelphia, Pa.

STATEMENT OF NATHAN CRONHEIM, REPRESENTING THE LOCAL ACTION COMMITTEE, PHILADELPHIA, PA., AND THE PHILADELPHIA CHAPTER OF THE INTERPROFESSIONAL ASSOCIATION

The CHAIRMAN. You represent the Local Action Committee of Philadelphia?

Mr. CRONHEIM. Yes, and also the Philadelphia Chapter of the Interprofessional Association, which is a federation of architects, engineers, chemists, and technicians, all together comprising some 25,000 to 30,000 members.

The gentlemen who have spoken ahead of me have gone very thoroughly into the manual workers' need for the disqualification of this bill. I shall present the professional workers' views, that is, those of the doctor, lawyer, teacher, social worker, architect, engineer, chemist, technician, artist, musician, and so forth.

To tie in with the preceding speakers, I wish to show that, due to the inadequate financial return to be given the worker, he will not be able to take advantage of the scientific advancements of the professions, namely, in medicine, housing, social welfare, and education. As far as housing is concerned, we can quote from Sir Raymond Unwin, who says that we cannot have low-cost houses without unemployment insurance. These things the worker sorely need.

Due to the provisions of this bill all Government employees are excluded from the benefits of this bill, hence virtually all teachers and social workers and many architects, engineers, and so forth, are excluded.

Most other employed professionals, that is, doctors, lawyers, chemists, musicians, artists, and many architects and engineers, are employees in small businesses. Employees in these small businesses are also excluded from the President's bill.

At the present time, the professionals compose one of the largest of the groups that make up our huge army of the unemployed. Every one of these men and women, due to the terms of this bill, are definitely excluded from benefits until such time as they receive employment. At the present time, the prospects for employment are not bright.

Finally, the professional worker must keep in touch with and be thoroughly up to date with the latest discoveries in his chosen field. This then requires that he must not have long periods of inactivity unless he receives sufficient funds to proceed with his studies, buy necessary books and equipment, and do this without economic worries.

Even if this, the President's bill, were rewritten so as to include the professional worker, we, the professional workers, would still go on record against it because its source of income is unsound and its remuneration is totally inadequate. We stand definitely for H. R. 2827.

The CHAIRMAN. Thank you very much. Mr. Philip Ickler, Portland, Oreg.

STATEMENT OF PHILIP ICKLER, PORTLAND, OREG.

Mr. ICKLER. Of course I represent myself. I have lectured throughout the entire country on the solution of unemployment with great success. I have millions of working men behind my plan. I will submit the following propositions for your consideration:

1. I think the amount of money mentioned in social insurance and old age bill, S. 1130, is far off from coping with this vital issue.

2. As we have right now over 5,000,000 people in the United States over 60 years of age, which are in need of an old-age pension very badly.

3. I think the age limit of 65 years mentioned in this bill, S. 1130, is absolutely too high, and the limit should be brought down to 60 years of age at least.

4. The amount of \$15 a month by Federal and State together, \$30 a month, will just about take care of three meals a day, but there is nothing left for rent, clothing, or other needed items.

5. I think the amount to be paid of old-age pension should be at least \$50 a month for persons with dependents, and \$40 a month for single persons.

6. Even the financing of the bill is doubtful, as we have too many tax dodgers in our country who always find a way to get out of it.

7. For this reason I hereby like to offer a plan of financing the old-age pension, as well as the unemployment insurance.

8. I venture to say that the machine and the mechanical labor-saving devices are to a great extent responsible for most of the unemployment, as well as from people above 50 years of age holding their jobs.

9. Therefore I advocate to put a tax on all machines and mechanical labor-saving devices which displace human labor. I think if the machine is the cause, the machine then should pay by putting a tax sufficient to take care of part of the financing of the old-age pension and unemployment insurance.

10. We paved most of the highways throughout the country by a tax on the machine, an automobile, a license tax. The automobile and the trucks needed the hard-surfaced roads, so the automobile and the gasoline had to pay through a tax to build the roads, which was practical.

11. Now if it was fair to tax the machine (automobile and gasoline) to pave and build roads, why is it not fair to tax the machine for the misery and starvation which it created by taking millions of jobs away from the workingman in most every industry throughout the country? Make the machine pay.

12. It is astonishing how much machinery and mechanical labor-saving devices we have in our country—over one billion—and here is an absolutely tremendous field for taxation, and I am absolutely sure we will be able to at least raise over \$5,000,000,000 a year, which will be almost sufficient to take care of the old-age pension and unemployment insurance.

13. And if we tax the machine we will probably be able to eliminate most of the tax dodgers, as almost every machine has a serial number, and the Government would hereby have a good control of all machines and labor-saving devices by their numbers.

14. I believe in taxing the machine and labor-saving devices by their cost price, at least 1 percent of the cost per \$100 and up, according to the value and the displacement of men in proportion.

15. By taxing the machine and the mechanical labor-saving devices we would reach most of all the employers and big industrialists, as they own and control most of these machines.

16. I further advocate if this machine tax will not raise sufficient revenue for the old-age pension and unemployment insurance, that all working men working for a salary or wage by the day, week, or month should pay 50 cents per week on both items, old-age pension and unemployment insurance, \$1 total a week.

17. For the reason that I am advocating that the workingmen should pay, too, is that he would be fully aware of it that it is his pension and unemployment insurance paid part of it and have a right to take part in and of the administration of those institutions. As it is now he pays to his unions, sick lodges, life insurance, fire insurance, etc., if he wants to get something, why not also pay to the Government in this particular instance? He has to pay anyhow. I do not care how we raise the finances, as the consumer always in the last end has to pay and the working man is the biggest consumer.

18. Most of the Government employees as well as State, county, or city employees, having retiring pension, which in most cases is 3½ percent from their pay roll, so postal employees, navy-yard workers, police, and firemen, why not treat all workingmen alike and give them security and self-protection for old age, as well as unemployment?

19. In my plan which I advocate in my enclosed pamphlet the solution of unemployment I show in brief and in figures that we will be able to take care of this old-age pension and unemployment insurance in a short time, in about 90 days at least, for sure to be able to start paying inside of 1 year on a self-sustaining plan without going into any indebtedness even if the Government would not give anything to start with.

20. I also favor any person, if he is a United States citizen, should be able to draw benefits in any State in the Union or Territory of the United States of those institutions, when established residence inside of 1 year waiting time, and noncitizens of the United States should be able to draw benefits from these institutions if able to prove he has been a resident of the United States at least for the last 5 years when applying for such benefits, and also live at least 1 year in that particular State where he applies for said benefits.

21. I believe the time has come where we should have more uniform laws all over the States, particularly in this instance, as we are living in a machine age and people are traveling very much from one State to another; some of them are forced, through lack of work, or sickness, and many other reasons which therefore should be protected, not to lose their right which they have established in a certain State, whenever to be forced to move into another State.

22. My plan also offers unemployment insurance and well financed for about five million people all the year through, every week in the year, \$12 a week for a single person and \$15 a week for persons with dependents, wherever unemployed.

23. And our Government should try to expedite this matter so the institutions can be put in operation at least by January 1, 1936, as the situation is getting more serious every year, as long as we bring out more and better machines and mechanical labor-saving devices unemployment will increase.

I hereby offer this in writing to your honorable body for your earnest consideration, and I am submitting my little booklet to you.

OLD-AGE PENSION AND THE SOLUTION OF UNEMPLOYMENT

(Revised second edition)

A SQUARE DEAL TO THE AMERICAN PEOPLE

FOREWORD

The unemployment problem of our Nation needs serious and immediate attention towards bringing about a solution. For almost 30 years I have been observing with growing alarm the progress of machinery, step by step, and its ultimate effect upon labor, feeling with concern what the inevitable result of this progress of mechanical labor-saving devices would be and that unemployment would become a growing menace to the welfare of our country year by year.

Through constant application and thought I have evolved a plan whereby the unemployment situation could be solved within a few months and I am convinced that my plan would be successful theoretically as well as practically. I have also a plan to finance unemployment insurance as well as the old-age pension on a basis that would cause no hardship under any circumstances. I think that these two items are vital to the future welfare of our country and if these are solved the farm problem will automatically solve itself, the most important object, in my opinion, being to form buying power of the masses, which would naturally bring back normal conditions.

Therefore the unemployment problem is a very vital question in the economic recovery of our country. It is earnestly desired of every loyal, sincere citizen of America that he cooperate to the greatest extent possible in order to assist in enacting humanitarian laws such as unemployment insurance and old-age pension, as well as a shorter workday, and to provide funds to finance these acts.

From a humanitarian point of view it is our duty to take care of this situation created by steadily advancing civilization and science in form of mechanical labor-saving devices and inventions which are yearly taking more and more the place of human labor and robbing mankind of his existence. What upsets the economic system in our country more than anything else, is that we are not going along fast enough with the advancement of inventions and the machine. We are living in a machine age and all we have to do to adjust ourselves to the machine age is to shorten the working day, and provide an old-age pension and unemployment insurance. Therefore it is the utmost duty of every citizen of the United States to pay his obligations to the funds created so that the unemployment insurance as well as the old-age pension can be properly administered. What is needed also is to give more consideration to the regulation of consumption so that everybody will be able to secure the necessities of life, then production will automatically adjust itself.

It is for the benefit of the entire country to bring a more normal and fairer regulated distribution of money among our people. Some may believe that they shall never need it but none of us ever know when we will be thankful that someone helped to provide for just such institutions, as the depression that our country is suffering at the present proves—that we never know when we will become rich or poor—so we must do everything in our power to cooperate with good will, idealistic, patriotic, and humanitarian spirit—then there will be no burden upon anyone and pauperism will cease.

To curb the unemployment problem and its steady increase through continuous, scientific inventions of mechanical labor-saving devices, I hereby offer the following plan for solving the unemployment situation.

PHILIP ICKLER,
4028 S. E. Salmon Street, Portland, Oreg.

OLD-AGE PENSION AND A PLAN TO SOLVE THE UNEMPLOYMENT PROBLEM

It is very necessary that the working day should be shortened to at least a compulsory 6-hour day, and in industries that never stop operating, and where there are shifts, a compulsory 6-hour day should be installed to create a fourth shift.

1. All men of 60 years and over who work for a salary or in any paid position should be retired within 30 days and automatically pensioned from then on continuously until death.

2. Then, every year, 1 year to be dropped from the old-age limit of 60 years and the individual pensioned—this to be continued until we reach the age limit of 55 years.

3. Any employee, private or Government, who is drawing a pension through military, postal, or other service, equal to the average wage scale of a workingman, should be retired from his employment at once.

4. All families where the head earns \$35.00 a week or more, either the husband or wife, should be investigated and only one allowed to work, excepting their children above 18 years of age, and the children not to begin work until fully 18 years of age.

5. A compulsory old-age pension law should be enacted by the Federal Government and an old-age pension fund should be created by collecting revenue from some source. All revenue should be collected by the Federal Government, also all old-age pensions should be paid and distributed by the Federal Government.

6. An old-age pension of \$50 per month for a married man with wife or dependents, and \$40 per month for a single man would be a fair amount.

7. A compulsory unemployment insurance law should be enacted by the Federal Government and an unemployment insurance fund should be created by collecting revenue from some source. All revenue should be collected by the Federal Government as well as all insurance moneys paid and distributed.

8. The unemployment insurance amount paid weekly can be \$15 for a married man with wife or dependents and \$10 per week to a single man.

9. If an approximate unemployment insurance of \$12.50 per week is paid per man to 5,000,000 men the amount would be \$3,250,000,000 per year; 5 percent of above amount for expenses, such as office help, stationery, etc., \$162,500,000; total per year, \$3,412,500,000.

10. If an approximate old-age pension is paid of \$45 a man per month to about 5,000,000 men it would amount to \$2,700,000,000 per year; 5 percent of above amount for expense, such as office help, stationery, etc., \$135,000,000; total per year, \$2,835,000,000.

PLAN FOR RAISING FUNDS FOR UNEMPLOYMENT INSURANCE

1. Two billion dollars in welfare bonds should be sold by the United States, bearing 2 percent interest per annum. The revenue that is realized from the sale of these bonds should be used to begin paying the unemployment insurance at once, and to continue paying until other means are found to raise revenue to cover the continuous paying of unemployment insurance. These bonds should be retired from revenue or surplus revenue that is collected for said unemployment insurance.

2. Every workingman or employee working for a salary is to pay 50 cents per week every week, if working or receiving unemployment insurance until he arrives at the age where he retires and his old-age pension beings.

3. Considering that there are 40,000,000 employees, the approximate yearly revenue thus derived would be \$1,040,000,000.

4. A tax to be levied upon every mechanical labor-saving device or machine to the extent of \$1 per \$100 as represented by its cost when purchased new, and 50 cents per year for 2 years thereafter, then 25 cents yearly until out of use.

5. A \$1 tax to be levied upon every mechanical labor-saving device or machine costing from \$50 to \$100 when purchased new, and 50 cents per year for 2 years thereafter, then 25 cents yearly until out of use.

6. A 75-cent tax to be levied upon every mechanical labor-saving device or machine costing from \$25 to \$50 when purchased new, and 35 cents per year for 2 years thereafter, then 25 cents yearly until out of use.

7. A 50-cent tax to be levied upon every mechanical labor-saving device or machine costing from \$10 to \$25 when purchased new, and 25 cents yearly for 3 years thereafter, then the tax shall cease in this particular rate.

8. Approximate revenue thus derived from all mechanical labor-saving devices and machinery yearly, \$2,500,000,000, i. e., considering that there are about 500,000,000 labor-saving devices or machines employed and taxed at an average of \$5 each.

Revenue raised of items 2 and 3.....	\$1, 040, 000, 000
Revenue raised of items 4, 5, 6, 7.....	2, 500, 000, 000

Total.....	3, 540, 000, 000
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PLAN FOR RAISING FUNDS FOR OLD-AGE PENSION

1. Two billion dollars in welfare bonds should be sold by the United States, bearing 2 percent interest per annum. The revenue that is realized from the sale of these bonds should be used to begin paying the old-age pension at once

and to continue paying until other means are found to raise revenue to cover the continuous paying of the old-age pension. These bonds should be retired from the revenue or surplus revenue that is collected for said old-age pension.

2. Every workingman or employee working for a salary is to pay 50 cents per week, if working or receiving unemployment insurance, until he arrives at the age where he retires and his old-age pension begins.

3. Considering that there are 40,000,000 employees, the approximate yearly revenue thus derived would be \$1,040,000,000.

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6. A 75-cent tax to be levied upon every mechanical labor-saving device or machine costing from \$25 to \$50 when purchased new, and 35 cents per year for 2 years thereafter, then 25 cents yearly until out of use.

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Revenue raised of items 2 and 3	\$1, 040, 000, 000
Revenue raised of items 4, 5, 6, and 7	2, 500, 000, 000
Total	3, 540, 000, 000

WHY THE WORKINGMAN SHOULD CONTRIBUTE HIS SHARE

I have considered the raising of revenue to create and maintain unemployment insurance and old-age pension funds and have tried to find a way of doing so without taking anything from labor, but this is hard to do for the following reasons:

First, labor is the real beneficiary.

Second, when labor desires consideration it must in return give consideration in order to retain its independence as a factor and so give it the right to demand and receive. In so doing, the feeling of receiving charity would be avoided, which at the present is the lot of the workingman; he must beg for something that is his rightful due, and is forced to wait until the institution or its administrator gives him the necessary aid with the added considerable humiliating proceedings and much favoritism.

Unemployment insurance and old-age pensions paid to workingmen without their original individual support and contribution would have more the appearance of a dole than an unemployment insurance or old-age pension provided for by himself.

Many workingmen are now carrying sick benefit, life insurance, and death-benefit insurance, either with lodges, unions, or insurance companies.

Therefore, if the workingman pays his share toward maintaining unemployment insurance and old-age pension funds he is certain of receiving the benefit of either one as occasion arises, without recourse.

One of the best reasons why labor should pay its share toward the maintenance of the unemployment insurance and old-age pension funds is that the opposing factors would be removed that are objecting to these institutions, namely, the employer, the middle class, and to a certain extent, the Government. These factors would realize that labor is contributing its share toward the bill and is therefore entitled to the benefits derived from funds provided by themselves in cooperation with the employer.

WHY THE MACHINE SHOULD BE TAXED

First of all, the machine is a great party to the cause of the unemployment problem, as it steadily usurps more and more the place of human labor in nearly every industry.

Hence, the machine, being the greatest factor in increasing unemployment, it should be compelled to contribute its share toward creating revenue for unem-

(automobile) many highways were paved. Why not tax the machine to pay the unemployed and the aged?

Since the machinery and mechanical labor-saving devices are principally owned or controlled by the employer, the employer is thus instrumental in paying his due share toward the maintenance of unemployment insurance and old-age pension funds.

We should by no means try to drive the machine out of existence, but mankind in general should derive the most benefit out of its proper regulation. Let mankind control the machine and not the reverse and let humanity still be the master and superior on earth.

WHY THE FEDERAL GOVERNMENT SHOULD CONTROL UNEMPLOYMENT INSURANCE
AND OLD-AGE PENSION FUNDS AND THEIR ADMINISTRATION

The working class of people or any other class of our country, as one might call them, have time and again had sad experience to their disadvantage in all matters as related to guarantees such as sick benefit, death benefit, life insurance, etc., in their own lodges, unions, or private insurance companies as well as old-age pension or job insurance in industrial plants by their employer.

There have been too many failures, some due to insufficient influx of new members, business depressions, panics, or an epidemic of disease.

These conditions cannot as easily affect the Government—at least not to a point of complete break-down or bankruptcy, as there will always be government of some form, even though changes should occur through wars or other causes.

To make unemployment insurance and old-age pension a Federal compulsory act and not a State affair is to save expense in administering said institution as well as in collecting and distributing funds, and it would make possible a uniform law for all States.

Traveling in this mechanical age is more pronounced than ever and is increasing steadily. People move from one city and State to another, some for business reasons, others for climatic or health reasons, etc.

Thus, if these institutions of unemployment insurance and old-age pension are State-controlled each State would have its individual restrictions and regulations as regards beneficial limit to these funds, demanding certain lengths of resident establishment before the individual would be eligible to receive insurance or pension. All of this would naturally cause considerable injustice. As a matter of fact in various States right at the present time citizens must be residents for 15 years before they are entitled to pensions or privileges of that nature.

For example, some citizens stay in a certain State for about 10 or 15 years then, becoming ill, their doctor advises change of climate to another State best suited to the particular malady. In such event the citizen would perhaps lose his right to the benefits of the institutions which he helped build while a resident and taxpayer or contributor to such fund. Some States have laws so provided that when the citizen leaves said State he automatically loses his legally established residence and all the benefits attached thereto.

Therefore, institutions of such far-reaching scope and nature as the unemployment insurance and old-age pension should be enacted and administered by the Federal Government.

It is only just that every citizen of the United States be at liberty to change his residence and travel at will without losing advantages attached to permanent locations in this particular instance since traveling is growing considerably more extensive. Why do we have railroads, ships, automobiles, airplanes, etc., if not for travel, which as time goes on make our country as well as the world seem smaller and smaller.

Centralization increases with civilization.

*Approximate estimations of revenue and expenditures accruing in administering
unemployment insurance and old-age pensions*

Revenue to be collected for unemployment insurance.....	\$3, 540, 000, 000
Revenue to be collected for old-age pension.....	3, 540, 000, 000
Total.....	7, 080, 000, 000
Allowance for expense, office help, etc., 5 percent of above amount.....	354, 000, 000
Leaves balance of revenue.....	6, 726, 000, 000

Approximate estimations of revenues and expenditures accruing in administering unemployment insurance and old-age pensions—Continued

Unemployment insurance to be paid.....	\$3, 250, 000, 000
Old-age pension to be paid.....	2, 700, 000, 000
Total.....	5, 950, 000, 000
Allowance for expense, office help, etc., 5 percent of above amount.....	297, 500, 000
Total amount of expense.....	6, 247, 500, 000
Total amount of revenue collected.....	6, 726, 000, 000
Less total amount of expense, etc.....	6, 247, 500, 000
Surplus revenue left for year.....	478, 500, 000

Approximate estimation of number of mechanical labor-saving devices or machines now in operation

Automobiles.....	30, 000, 000
Trucks.....	10, 000, 000
Tractors and farm machinery.....	100, 000, 000
Washing machines.....	20, 000, 000
Vacuum cleaners.....	25, 000, 000
Refrigerators.....	10, 000, 000
Radios.....	25, 000, 000
Typewriters.....	20, 000, 000
Adding machines.....	10, 000, 000
Industrial machines.....	250, 000, 000
Total.....	500, 000, 000

CONCLUSIONS

Now, in summarizing, I want to say that my plan may be far from perfect, but there is nothing perfect in this world. However, I think that I have given a good foundation for the solution of the unemployment problem. I feel confident that I have struck upon the fundamental principles.

It is our duty, from a standpoint of humanity, insofar as idealism, brotherly love, and patriotism are related to each other, to cooperate to our fullest extent. If we earnestly desire a problem solved, such as is at this present day confronting us, we must face facts.

Of course, my plan is subject to correction as regards the exact amounts of revenue to be collected from labor and taxes to be placed upon machinery and mechanical labor-saving devices, etc., also as to exact amounts that labor should receive, which should be fair, according to normal living conditions, and not so high that it would imperil the financing of the plan itself and as well as the shortening of the work day. Such items as these have to be corrected from time to time to make allowance for the further progress of civilization as changes become necessary.

Therefore, I offer the foregoing solution of the unemployment problem for the approval of my fellowmen, whose welfare I have at heart, subject also to the approval of our Government.

I have been a member of organized labor for 32 years continuously and still am. During this period I have attended many great gatherings, such as lectures, conventions of many descriptions, such as labor union, American Federation of Labor, fraternal lodge, business organizations, conventions of different political parties, and even religious congresses, and I have constantly made efforts to learn and improve and gain thereby, benefits for myself as well as my fellow men, and thus I have taken the privilege of offering this plan.

PHILIP ICKLER.

4028 S. E. SALMON SREET,
Portland, Oreg.

(If you have read this pamphlet and the plan appears practical to you or meets with your approval then write to your United States Senator and United States Representative in Washington, D. C., and ask them to take action along these lines. This is the most direct way to get results.)

Senator COUZENS. Are there any other witnesses? If not, we will adjourn until 10 o'clock tomorrow morning.

ECONOMIC SECURITY ACT

WEDNESDAY, FEBRUARY 20, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m. in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

STATEMENT OF DR. ROBERT R. DOANE, NEW YORK CITY, REPRESENTING OLD AGE REVOLVING PENSIONS, LTD.

The CHAIRMAN. Dr. Doane, the other day when Dr. Townsend testified he said that he would like for you to furnish certain data to the committee. You may proceed in your own way. If you have that data and just want to put it in the record, it will be all right.

Mr. DOANE. Mr. Chairman and members of the committee, Dr. Townsend asked me to make a statistical study based upon existing levels of trade and levels of production in this country, to see what possible amount of money might be collected as the result of a 2-percent general sales tax. I am appearing before this committee at the request of Dr. Townsend in that capacity, not especially as an advocate of the Townsend plan, or any plan, or as recommending any particular form of taxation.

The CHAIRMAN. You stated before the House committee that you did not advocate the Townsend plan.

Mr. DOANE. I am not advocating any plan. I just made a statistical study. I was employed in my professional capacity.

The CHAIRMAN. I gathered that information from your testimony.

Mr. DOANE. That is right. Now I have here a table which I prepared, of which I can give you copies.

(The statistical data referred to by Dr. Doane is as follows:)

TABLE I.—*Estimated accumulative effect of turn-over tax at 2-percent rate on physical-goods transactions (monthly basis)*¹

[Millions of current dollars]

Classes	Value	Tax	Estimated increase in costs due to 2-percent tax
1. Raw materials:			
Farm products.....	\$484.0		
Forest products.....	20.0		
Fisheries.....	11.0		
Mines, quarries.....	235.0		
Total.....	750.0	\$15.0	
2. Manufacturing:			
Cost of materials.....	1,820.0		
Plus added tax.....	15.0		
Total cost.....	1,835.0		
First turn-over (tax).....	36.7		
Second turn-over (tax).....	37.4		
Third turn-over (tax).....	38.1		
Total tax.....	112.2	112.2	
Original cost.....	1,835.0		
Total cost.....	1,947.2		\$6.9
Value added.....	1,680.0		
Selling value.....	3,627.2		
Plus 2-percent tax.....	72.5	72.5	
Total paid.....	3,699.7		
3. Wholesale:			
Sales.....	2,663.8		
Plus 2-percent tax.....	53.3	53.3	
Value goods sold.....	2,717.1		8.7
4. Retail:			
Sales.....	2,173.7		
Plus 2-percent tax.....	43.5	43.5	
Value goods sold.....	2,217.2		10.6
Original aggregate.....	8,750.0		
Tot l expected taxes.....		296.5	
Consumer collections in addition.....		40.3	
Grand total collections.....		336.8	
At annual rate of.....		4,041.8	

¹ Computed on 1931 basis. All figures from official census and Government bureau reports.TABLE I-A.—*Maximum theoretical possibilities under 2-percent turn-over tax*

	Selected items as given in table I	All producer and consumer expenditures	All expenditures, including Government and institutions	All gross transactions and transfers
Estimated annual 1935 collections.....	\$4,000,000,000	\$6,000,000,000	\$6,300,000,000	\$9,600,000,000
Estimated annual collections, 1929 basis.....	\$7,500,000,000	\$12,000,000,000	\$12,600,000,000	\$18,700,000,000
Estimated increase in prices.....				
percent.....	12	18	20	24
Annual volume of transactions:				
1935.....		\$224,000,000,000	\$242,000,000,000	\$481,000,000,000
1936.....		\$358,000,000,000	\$376,000,000,000	\$935,000,000,000

Mr. DOANE. Table I deals with the estimated accumulative effect of the turn-over tax on the 2-percent rate on physical-goods transactions, on a monthly basis, at current levels of production. I might say that these figures have been taken from the Biennial Census of Manufacturers, from estimates of the Bureau of Agricultural Economics, from the wholesale and retail census of distribution, covering the year 1931, with a slight adjustment, bringing it down in accord with the production and the minimum index of the Federal Reserve Board at the present level.

We find, on an average, the current value of farm products now moving into the market on a monthly basis of \$484,000,000; forest products, approximately \$20,000,000 per month; fisheries, \$11,000,000; mines, quarries, and oil wells, \$235,000,000; making a total of raw materials, in terms of current monetary value, some \$750,000,000.

In the third column of this table you will find the figure 15. That is \$15,000,000. That is the estimated 2-percent tax on the \$750,000,000.

Item no. 2, covering "manufacturing costs of materials", is approximately \$1,820,000,000; plus the added 2-percent tax given under item no. 1, bringing the total cost to \$1,835,000,000.

Now based upon previous studies of the Biennial Census of Manufacturers, we find an average turn-over of materials in process of fabrication and so forth, of about three times. I have, therefore, allowed the first turn-over, 2 percent, on the \$1,835,000,000, or \$36,700,000.

The second turn-over, \$37,400,000; the third turn-over, \$38,100,000; making a total estimated possible tax collection of \$112,200,000.

The CHAIRMAN. That is on the first turn-over, \$112,000,000?

Mr. DOANE. That is the accumulative three turn-overs, after the goods are in the manufacturing process. Now the total original cost, as we found in item 2 at the top of that column, \$1,835,000,000, added to the \$112,000,000 brings the total cost up to \$1,947,000,000.

In the fourth column in this table we have included the percentage, the estimated percentage mark-up or additional cost due to the levying of a 2-percent tax. In this instance, after these three turn-overs, we find the cost has moved up approximately 6.9 percent. Now the value added to manufactures of \$1,680,000,000, brings the total selling value on a monthly basis up to some \$3,600,000,000, plus the 2-percent tax of some \$72,500,000.

The wholesale volume of goods moving into the market at current levels has been estimated at approximately \$2,600,000,000, with an estimated 2-percent tax of some \$53,000,000.

Retail sales moving in at the rate of \$2,173,000,000, plus a 2-percent tax, bringing in another estimated \$43,500,000. That gives a grand total of \$296,500,000 tax.

Now on other consumer taxes, for recreational expenditures and other services, there is an estimated \$40,000,000 in addition. That \$40,000,000 is contained in a paper I presented before the Ways and Means Committee last Tuesday, table 2 of that record. That makes a grand total estimated monthly collections of some \$336,800,000. If we multiply that by 12 we find a possible maximum collection of some \$4,000,000,000 per annum. In my estimation, under an accelerated production, that \$4,000,000,000 is probably a trifle low.

We might collect a little more than that. Each month probably the volume will be a little higher. It might go as high as \$5,600,000,000.

Now at the top of this sheet, table I-A, we have given some estimates based on the 1935 basis, and also on the 1929 basis of production. As I have said before, table I, we find indicated there \$4,000,000,000 possible collections. On the 1929 basis it would be around \$7,500,000,000. Now, if we would include all producer and consumer expenditures, which involve naturally the duplications, the figures would stand respectively as \$6,000,000,000 and \$12,000,000,000. When we get up to all gross transactions of every character, at present levels, the maximum figure would be \$9,600,000,000, and on the 1929 levels approximately \$18,700,000,000.

Briefly summing up the returns from a 2-percent tax as set forth in detail in table I, which includes the tax on raw materials, manufacturing, wholesaling, and retailing on total monthly transactions of some 8¾ million dollars monthly, while the estimated increase in the cost of goods due to the tax has been placed at approximately 10 percent. That will be found in column 4, table I. The total estimated revenue from the tax on this limited list approximates 4 billion dollars monthly at present levels, without giving consideration to any accelerated movement of trade; while an identical tax on all transactions would return 9 to 9½ billions of dollars per year at present levels of production.

The estimated increase in retail price of goods, based on experience of other nations, would be 10 percent; while the volume of trade expectancy could increase 25 percent monthly for the first few months, after which the increase would be at a decrescent rate. A continuation of this stimulated volume of trade could be expected under normal conditions until the revenue derived from the tax could mount to \$26,000,000,000 per year, but that would be in the future.

This form of taxation, if uniformly applied, could easily through possible substitution, decrease the tax liability now imposed on real property with a consequent material increase in capital value.

The social security envisaged in the Townsend plan is undeniably a challenge to our modern economy. It seems that if we accept as a sound business principle a 2½-percent annual depreciation charge against our capital equipment of brick, mortar, steel, and so forth, it is natural that mankind should accept a like charge annually against our human resources.

That is all I have to say.

The CHAIRMAN. Dr. Doane, did you finish your statment?

Mr. DOANE. I did; yes.

The CHAIRMAN. I wanted to ask you a question or two. Now your estimate, on the 2-percent turn-over, would be approximately \$5,000,000,000, or a little less. It may be around 4 or 5 billion dollars?

Mr. DOANE. That is right.

The CHAIRMAN. Well, of course, you are familiar with the fact that France, with a 2-percent turn-over tax and with a population of 42,000,000, collected approximately \$300,000,000 a year.

Mr. DOANE. Yes.

The CHAIRMAN. You have ascertained that from your investigations, too, haven't you?

Mr. DOANE. I do not know the exact amount of collections.

Now that is a population of 42,000,000. If you had three times that many people, as you have in the United States, it would come to about \$900,000,000. Now, in view of that experience, in view of that record, on the 2-percent turn-over, your figure is a little inconsistent, your statement that we can obtain in this country, on a 2-percent turn-over tax, 4 to 5 billion dollars, isn't it?

Mr. DOANE. I have assumed that the tax would be placed on all of these goods, the physical goods, and I have given the mathematical and statistical presentation only. There may be probably some eliminations or some exemptions. I haven't taken that factor into consideration.

The CHAIRMAN. You haven't taken the factor of the experience of France with the 2-percent turn-over tax and the population of 42,000,000, into consideration?

Mr. DOANE. What are the eliminations in France? I am not familiar with them. Is that tax levied on all physical goods?

The CHAIRMAN. It is a 2-percent turn-over tax. I do not know whether there are any eliminations or not. Mr. Parker, can you tell me that?

STATEMENT OF L. H. PARKER, CHIEF OF STAFF, JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

Mr. PARKER. There are very few eliminations. There are several things that bear a higher rate, like luxuries. It is true that when an article is sold on a commission, only the commission is taxed. The tendency of the French turn-over tax has been, of course, to cause rather more business by way of commission, because you pay then the 2-percent turn-over tax on commission, not on the cost of goods plus the mark-up. In other words, if a wholesaler does business as a commission merchant he saves a lot of money in tax. But the French tax strikes nearly everything. There are some exemptions.

The CHAIRMAN. Is it quite similar to the tax in Germany?

Mr. PARKER. The report on double taxation contains a brief description of the French system.

(Mr. Parker subsequently submitted the following:)

REPRINTED FROM DOUBLE TAXATION REPORT MADE BY A SUBCOMMITTEE OF THE COMMITTEE ON WAYS AND MEANS, PAGE 226

The present tax, enacted into law in 1920, consists of a 2-percent levy on gross receipts from sales within and imports into France, a 2-percent levy on gross commissions and other proceeds from the sale of commercial services, a luxury tax at varying rates on sundry articles, a production tax of 2½ percent on sales and imports of coal, a production tax of 3½ percent on sales and imports of fertilizers, a slaughterhouse tax at varying rates, and special importation taxes on tea, coffee, automobiles, sulphur, and sugar. The French turn-over tax permits of pyramiding.

The CHAIRMAN. Is the 2-percent turn-over tax in France quite similar to the German 2-percent turn-over tax?

Mr. PARKER. Yes; I think the French tax is a little more all-inclusive than the German tax.

The CHAIRMAN. Now I will ask you, Dr. Doane, with reference to Germany, which has a population of approximately 64,000,000. They have this 2-percent turn-over tax, and their experience is that they obtain in revenue \$245,000,000 a year. The population of this

country is a little more than twice as much as that of Germany. On that same basis it would be around \$490,000,000 in this country. Is that not a little bit inconsistent with the figures that you gave, in view of the records of those countries?

Mr. DOANE. Well, I haven't looked into all of the transactions, of course, covered by the other countries, and the relationship of the monopolies taxes, which might cause certain eliminations.

The CHAIRMAN. Anyway, if there were 10,000,000 people in the United States 60 years of age and over who were going to obtain this \$200 a month, or \$2,400 a year, if all of them took it—and it is the object, I think, that all of them take it, because it invites those who have jobs to give up their jobs so that other people can take those jobs, and they can obtain the \$200 a month or \$2,400 a year—that would amount to about \$24,000,000 a year. That is right, isn't it?

Mr. DOANE. Yes.

The CHAIRMAN. Has Dr. Townsend made a suggestion to you as to how you are going to get the difference between the \$24,000,000,000 and the 4 or 5 billion dollars that you say under those figures we might obtain from the 2-percent turn-over tax?

Mr. DOANE. It has been suggested, I think, and I have read the previous testimony of Mr. Hudson before the Ways and Means Committee several days ago, by placing a 2-percent tax on what he referred to as total transactions, taking the peak year 1929 of some one trillion two hundred billion dollars worth of these transactions, which, I understand by referring to their testimony, the estimate of Mr. Goldenweiser, of the Federal Reserve Board, debits against individual accounts, figuring 2 percent of one trillion two hundred billion dollars would be, \$24,000,000,000. But at these levels of course we do not have even probably more than one-third of that total transactions. Talking with Dr. Townsend, just in private conversation, I think that he is assuming that we will in the future again get back up to those levels.

Senator COUZENS. That would contemplate the tax that you referred to as the tax on service transactions?

Mr. DOANE. A tax on all transactions.

Senator COUZENS. You haven't, in this minimum, included any tax on service transactions?

Mr. DOANE. No; I have not.

The CHAIRMAN. I think that is all, unless some members of the committee wants to ask questions. Thank you, Mr. Doane.

At this point I desire to place in the record a number of statements, letters, and briefs presented by individuals and organizations interested in S. 1130.

AMERICAN HOME ECONOMICS ASSOCIATION,
February 14, 1935.

Senator PAT HARRISON,
Chairman Senate Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR HARRISON: The American Home Economics Association has for years recognized the importance of the health of mothers and infants to the welfare of the family. It considers that these must be recognized in any worthy program of economic security.

The association heartily endorses the provisions for maternal and infant health included in the economic security bill. It considers that this type of service devoted primarily to reducing the family catastrophe of maternal and infant mortality and to building positive health is in valuable in promoting the economic

security of the family and in reducing the burden of needlessly broken homes and motherless children.

These provisions for maternal and infant health are positive and constructive, designed especially through their conservation of maternal life and health to make possible the care and security of numberless young children under normal home conditions. Without such safeguards, many children would be robbed of what we hold to be the birthright of every child, rich or poor.

We urge that the provisions on maternal and child health as included in S. 1130 be retained in an effective form in the economic security bill reported by the Senate Finance Committee.

Respectfully submitted.

HARRIET R. HOWE,
Vice chairman, Legislative Committee.

THE NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES,
Washington, D. C., February 19, 1935.

The Honorable PAT HARRISON,
The United States Senate, Washington, D. C.

MY DEAR SENATOR: I have received a number of requests from teachers and citizens interested in the economic welfare of teachers, asking to what extent, if any, teachers are included in the economic security program.

Dr. William G. Carr, director of research of the National Education Association, has made a thorough investigation of this field and has prepared the enclosed statement entitled, "Public School Teachers and Economic Security." This statement covers the facts insofar as this branch of public service is concerned. I am taking the liberty of sending this to you for the information of your Committee on Finance, and I respectfully request that the statement be included in the printed report of the hearings on the Economic Security Act.

Very cordially yours,

WILLARD E. GIVENS.

PUBLIC SCHOOL TEACHERS AND ECONOMIC SECURITY

SUMMARY

The extent to which an occupational group is subject to the economic hazards arising from old age and unemployment depends on a variety of factors, including: (a) The probability that a particular hazard, such as unemployment, will occur; (b) the extent to which the occupational group is insured against these hazards by local, State, or national legislation; and (c) the opportunity which exists to accumulate financial reserves.

Such evidence for one large and important occupational group, the 1,000,000 employees of the Nation's public schools, follows. The teaching profession is not now adequately protected against unemployment and old age. Prevailing salaries are utterly inadequate in many cases to permit the accumulation of reserves through private initiative. Since teachers were not included under the industrial codes many are now receiving wages less than those fixed for factory workers. Extensive unemployment also exists among teachers. Estimates by the United States Office of Education and special State-wide surveys indicate that unemployed teachers constitute a group one-fifth as large as employed teachers. Existing teacher retirement systems do not guarantee old-age security to the teaching profession because about 40 percent of all teachers are not included, because several existing systems are financially shaky, because many older teachers have not accumulated any significant reserve, and because the allowances paid are often inadequate.

These facts suggest that any national plan designed to provide a maximum amount of economic security for all citizens must not neglect the economic problems faced by the teaching profession.

NUMERICAL AND SOCIAL IMPORTANCE OF TEACHERS

Education accounts for over one-third of all public employees and for more than 3 percent of all the Nation's workers.¹ There are more teachers than there are carpenters, miners, machinists, bookkeepers, physicians, or lawyers.²

¹ Commission of Inquiry on Public Service Personnel, Report, New York; McGraw-Hill Book Co., 1935 pp. 139, 141.

² United States Bureau of the Census. Population: Occupations by States. Washington, D. C.: Government Printing Office, 1933; pp. 6-16.

The importance of the teaching profession in American life is not, however, limited to statistical measures. Upon the skill, devotion, and intelligence of teachers depends much of the future social safety and material progress of the country. It is socially important, therefore, that teaching be made a career wherein men and women of highest caliber may render distinguished service without an ever-present fear of future poverty.

COMPENSATION AND OPPORTUNITY FOR SAVING

The average annual salary for all teachers, principals, and supervisors during the last 10 years has ranged from \$1,222 to \$1,410.

Highly paid teachers are rare. In 1926, when teachers' salaries were at about the same average level as at present, less than 1 percent of all school teachers and executives received over \$4,000 and less than 2 percent received over \$3,300. At the lower end of the scale, over 15 percent received less than \$700 and nearly 40 percent received less than \$1,000.³

Conditions at present are even less satisfactory. Teachers were given no protection whatever under the National Industrial Recovery Act. As a result, it is estimated that 1 teacher in every 3 is now paid less than \$750 per year.⁴ In other words, about 250,000 teachers to whom is entrusted the education of some 7,000,000 children receive annual wages below the minimum for factory hands under the "blanket code" of the National Recovery Administration. With compensation at this low level, many thousands of teachers have no reasonable opportunity to provide a reserve against the hazards of old age, illness, and unemployment. Furthermore, the lowest paid teachers are not covered by retirement provisions. Of the 11 States paying lowest average salaries to teachers, only one has a State-wide teacher retirement law in operation.

The damaging effects of such an outlook on the children taught and on the teacher's personal and professional morale are clear.

UNEMPLOYMENT AMONG TEACHERS

On January 8, 1934, the United States Office of Education estimated that 200,000 certificated teachers were unemployed.⁵ There are today some 24,000 fewer teaching positions than in 1932, and the number of trained candidates for the available positions has definitely increased.⁶

Investigations in several States give further evidence on this point.⁷ Unemployment is not solely a phenomenon of industrial occupations.

EXISTING OLD-AGE PROTECTION FOR TEACHERS

In spite of the low active salaries received by teachers it has been exceedingly difficult to secure State or local legislation for the protection of these public servants in their old age. After a half century of effort, only about 60 percent of the Nation's teachers are working under any form of retirement provision.⁸ State-wide teacher retirement systems exist in less than half of the States of the Union.⁹ Although a number of independent local retirement systems exist, there yet remain 9 States where no protection under either local or State retirement systems is available to any teacher.

³ National Education Association, Research Division. *The Scheduling of Teachers' Salaries*. Research Bulletin 5: 146; May 1927. Washington, D. C.: The Association. 25 cents.

⁴ National Education Association and Department of Superintendence, Joint Commission on the Emergency in Education. *Major Trends in Public Education*. Washington, D. C.: The Association, October 1934. p. 10. 25 cents.

⁵ U. S. Department of the Interior, U. S. Office of Education. *The Situation in the Schools*. January 8, 1934. Mimeograph, 1 p.

⁶ National Education Association and Department of Superintendence, Joint Commission on the Emergency in Education. *Major Trends in Public Education*. Washington, D. C.: the Association, October 1934; p. 7. 25 cents.

⁷ California State Department of Education. "A Survey of Oversupply of Teachers as Reflected in the Placement Agencies of the California Teacher-Training Institutions, November 1, 1930." *California Schools* 2: 27-32; January 1931. Massachusetts, Stiles, Chester D. "Report on Unemployed Teachers in the State of Massachusetts." Westfield, Mass.: Superintendent of Schools, November 1934. 1 p. New York, letter dated October 19, 1932, from Arvie Eldred, executive secretary, New York State Teachers Association. Mr. Eldred called the Teacher Training Division for information. Minnesota, State Department of Education, Statistical Division. *A Study of Unemployed Elementary Teachers in Minnesota, 1932*. St. Paul, Minn.: the Division, 1932; p. 12.

⁸ Carr, William G. "The Teacher-Retirement Movement in the United States." *American School Board Journal* 83: 37-38; December 1931.

⁹ National Education Association, Research Division. "Current Issues in Teacher Retirement." Research Bulletin 5: 68; November 1930. Washington, D. C.: the Association. 25 cents.

Furthermore, many existing systems leave much to be desired as far as soundness and adequacy is concerned. Competent investigating committees have urged early revision and strengthening of the teacher retirement laws in at least 7 of the 22 States where such laws are operative.

The existing systems rarely include the noncertificated school employees or the professional staffs of the State universities and teachers colleges. In only 1 of the 22 State retirement systems were all teachers already in service required to join the retirement system at its inauguration. Several of the retirement systems operate, partly or entirely, on a voluntary basis. Many teachers of advanced age have been quite unable to accumulate any appreciable reserve or to take advantage of the opportunities offered by existing retirement systems. The retirement allowances granted in these teacher retirement systems average not more than \$600 per year.¹⁰ This amount is below the average yearly retirement allowances available to industrial employees, municipal employees, and Federal employees under the retirement systems which now protect these groups.¹¹ In several States the average allowance paid is entirely inadequate. One State system, for instance, paid an average allowance as low as \$125 per year. A special study of teachers who retired in 1930 reveals that in only one State retirement system did annuitants receive as much as half salary; teachers in three systems received less than one-fifth of their final salary.

STATEMENT BY MISS MARQUIS ROBB, NEWTONVILLE, MASS.

NATIONAL, STATE, LOCAL, AND INDIVIDUAL REVOLVING FUND TO DEVELOP ANNUITY
IN OLD AGE

Provides.—One initial endowment to take care of present accrued liability of age.

Development of fund to make an asset of all age yet to come.

Operation.—To function through State and local organizations already existing.

Values direct.—To develop taproot growth toward economic independence for the individual and give opportunity for him to assume his personal responsibility in achieving that goal.

To accumulate collective reserves to the end that the age limit may be lowered, and general welfare increased.

Byproduct values—*Continuous inventory of.*—Local, (a) economic dependence, (b) chronic illnesses, (c) juvenile delinquency.

Money is to the body economic what blood is to the body personal.

In a democracy there can be no permanent growth in social security that does not include understanding and responsibility on the part of the individual citizen of his relation to the financial soil in which the aggregate and cumulative units grow in a capitalistic economy.

Every individual tap root toward economic security strengthens national well-being in the same fashion that the native Indian bundle of sticks made powerful the tribe.

“Money—the lifeblood of the Nation,
Corrupts and stagnates in its veins;
Unless a proper circulation
Its motion and its heat maintains.”

—DEAN SWIFT.

SECURITY FOR CHILDREN

It must not for a moment be forgotten that the core of any social plan must be the child. Every proposition we make must adhere to this core. Old-age pensions are in a real sense measures in behalf of children. They shift the retroactive burdens to shoulders which can bear them with less human cost, and young parents thus released can put at the disposal of the new member of society those family resources he must be permitted to enjoy if he is to become a strong person, unburdensome to the State. Health measures that protect his family from sickness and remove the menacing apprehension of debt, always present in the mind of the breadwinner, are child-welfare measures. Likewise, unemploy-

¹⁰ National Education Association, Committee on Retirement Allowances, Report. Washington, D. C.: The Association, July 1932. 79 p. 25 cents.

¹¹ National Education Association, Committee on Retirement Allowances, Report. Washington, D. C.: The Association, July 1934. 29 p. 25 cents.

ment compensation is a measure in behalf of children in that it protects the home. Most important of all, public job assurance which can hold the family together over long or repetitive periods of private unemployment is a measure for children in that it assures them a childhood rather than the premature strains of the would-be child breadwinner.

There are at the moment over 7,400,000 children under 16 years of age on the relief rolls. The lives of some of these children, who have never known a time when their father had a steady job, and who, until Federal relief provided the family with a weak cohesive agent, have known nothing but the threat of being scattered, are lost beyond full restoration to their physical and social fulfillment. Their childhood is already destroyed and their future dark and uncertain. In this age group are 300,000 dependent and neglected children; 300,000 to 500,000 children who are physically handicapped; 200,000 who come as delinquents annually before the courts; and the 75,000 illegitimate children born each year. Special kinds of care must be provided for them to save them from a future more tragic than their impaired childhood.

Most of the children on relief lists are less conspicuously unfortunate, but all of them lack at least one major essential for a childhood which will prepare them in 5, 10, or 15 years to be the mainstay of society. Nothing is wrong with their environment but their parents' lack of money to give them opportunities which are taken for granted in more fortunate homes.

With the child, the recurrent productive energy of the Nation, as the "core of any social plan" in an economy organized on a financial basis, there must be not only the indirect influence of the parent economic state but also direct financial contacts for the junior citizen throughout the entire formative period of his concepts of work and life. That period is, generally speaking, the same as the compulsory school period. School truant officers from all parts agree that the desire to "get something of their own" is the basic cause of a great percent of the the "dropping out of school."

How can direct financial contact be given to every junior citizen?

First. By considering old-age assistance, not as a pension taken from the bounty or charity of others but as a root growth started at the beginning of life.

The Metropolitan Life Insurance Co. is authority for the statement that \$300 deposited the first year of life will amount to an annuity of \$50 a month from the age of 65 years on.

Second. By applying those figures to 1 year's birth increase in the United States (2,000,000) an initial endowment of half a billion would start a revolving fund to include every junior citizen in its recurrent movement, and for the immediate necessity of accrued liability would take care of present old age.

The accompanying data from the American Bankers Association gives key to the financial machinery through which the individual citizen, during his entire school period, could pay for his endowment.

To the schools we turn for the fullest training possible of every citizen. That is the sole reason for a public-school system. Thus in giving the schools opportunity to develop financial reserves, as well as vocational and academic powers, we would complete the equipment necessary for a developing citizenship.

Except for the national initial endowment the one first fund through which present age assistance would be rendered, the entire administration and responsibility would belong to the State, the community, and the individual.

The plan would work in this wise.

National.—National commitment to the principle of universal opportunity to develop individual growth toward security in age would be the one Federal responsibility. Expression of that commitment to be made through an endowment fund that would become seed for recurrent harvest of security throughout the collective lifetime of every citizen that accepted the opportunity and tried to carry out his part in it.

State.—In affirming the principle involved in the national endowment each State would guarantee the continuous revolving of the fund between present age and age recurring as the years come on.

State adoption of that "guaranty" would entitle a State to its pro rata of the initial endowment.

State.—That pro rata to be handled through a State trust committee that would in turn distribute it through old-age assistance organizations already existing for that work.

Local.—Local community to form committee made up of the mayor, president of school board, superintendent of schools, ex-officio head, or other representative, from civic bodies such as Chamber of Commerce, Rotary, Women's Professional,

Schools to handle collection of fund under commercial departments as practical functioning experience in their work.

Funds collected to be taken care of by local banks with accounting to schools and State trust committee, and local committee as State law would determine.

Whenever a junior citizen could not meet the payment on his endowment an automatic report would go to the local committee. Committee to investigate to find cause and to aid child. Thus local economic dependence would be met at source levels.

In addition to meeting the specific need, there would result the opportunity for constructive aid that would keep the dependence from growing cumulatively destructive to both personal welfare, and local financial reserves.

Chronic illnesses that cause dependence—and juvenile crime that piles up human misery and financial waste—could in time be met at levels of inception, thereby giving prevention forces the chance to be employed at a stage when prevention can really prevail.

“There is no wealth but life.”—John Ruskin.

A nation's wealth is most truly measured by the number of citizens given opportunity to develop to the fullest the potential capacity of each individual life.

AMERICAN BANKERS' ASSOCIATION,
New York, N. Y.

MISS MARQUIS ROBB,
Waltham, Mass.

MY DEAR MISS ROBB: Attached is a compilation of figures of school savings concerning which you made inquiry in your letter of April 6.

The number of children without school banking opportunity is much too large. Only by hearty cooperation among school people, bankers, and others interested in the welfare of our people can this difficulty be overcome.

When you reach New York, I shall be happy to see you.

Very truly,

W. ESPEY ALBIG,
Deputy Manager.

Years of depression, 1929-31

Number of schools that offer direct banking, 1929-31.....	14, 610
Number of schools that offer direct banking, 1930-31.....	14, 628
Number of students enrolled, 1929-30.....	4, 817, 606
Number of students enrolled, 1930-31.....	5, 030, 698
Number of students depositing, 1929-30.....	4, 597, 731
Number of students depositing, 1930-31.....	4, 482, 634
Amount deposited during school year, 1929-30.....	\$29, 113, 063
Amount deposited during school year, 1930-31.....	\$26, 783, 610
Interest earned and credited during year, 1929-30.....	\$1, 299, 143
Interest earned and credited during year, 1930-31.....	\$1, 302, 211
Amount on deposit at end of school year, 1929-30.....	\$52, 049, 849
Amount on deposit at end of school year, 1930-31.....	\$50, 744, 840
Number in school between the ages of 5 and 20 years in 1931...	26, 800, 000
Number with opportunity for direct banking.....	4, 817, 606
Junior citizens without opportunity for financial training.....	21, 982, 394
Potential amount on deposit if all students banked, 1929-30....	\$321, 600, 000
Potential interest on deposit if all students banked, 1929-30....	\$7, 145, 287

Direct contribution to depression

Communities (in the red) called on reserve, drew out more than deposited that year, 1929-30.....	154
Communities (in the red) 1930-31.....	309

The 13,000 employed students of the Central Vocational School of Milwaukee, Wis., who attend school 8 hours per week, earn more money each year than the entire system of education costs the city of Milwaukee for all kinds of public education.

The New York Sun of February 11, 1927, said: “There were 63,000 part-time vocational students in New York City and they earned annually, while attending school more than \$45,000,000.” (Federal Board of Vocational Education.)

Although it is difficult to prove how much the small boy has to spend, some figures are available regarding his older brother. The Industrial Education Bureau of the State department of education, studying the activities of 65,000 boys in State continuation schools found that the employed boys from 14 to 17 years of age spend more than \$7,500,000 a year for amusements. (New York State Department of Education.)

"SAVE YOUTH FROM CRIME," PLEADS MORAN, NEW YORK DIVISION OF PAROLE

As soon the boys had bank accounts of their own they began to see the relationship between stealing and property rights. So we welcome the work because of the results on the moral character of this particular type of child; the desire to protect their own property rights providing the basis for making them respect the property rights of others.

OLIVE JONES,
School Principal, New York City,
Ex-President National Education Association.

DEAR MISS ROBB: This is perhaps the only home lesson I ever tackled cheerfully. And yet I can't truthfully call it a home lesson because you yourself made it a matter of choice. However, I am only too glad to have the opportunity of letting you know what I derived from this course. For the last few days I have been reviewing in my mind all the talks and lessons, and this is the result.

Sincerely,

MARY FITZPATRICK
(Age 16 years).

WHAT ECONOMIC EDUCATION HAS MEANT TO ME

Next year my brother enters high school. Lately he has been poring over the list of electives, picking this subject, discarding that. Finally he was satisfied, and showed me the ones he had chosen. After looking at them I asked him, "How about economic education?"

Immediately a discontented scowl spread over his face, and in strong terms he told me he didn't "want that stuff. It's silly, and no one is going to meddle in my affairs. I don't believe in budgeting, anyway. No, I won't take it."

How could I convince him he was wrong? I couldn't—because, a short while ago, I held the same attitude toward economic education that he does now, and no arguments on earth were able to make me change my mind. But a very wise aunt forced me to take it, and I very belligerently started my course.

If talking were able to persuade my brother, I would tell him that he has a very wrong conception of this subject. I would tell him that the methodical daily entry in his budget book, and the monthly balancing of it, are only rudimental and incidental—the practical part of the course.

But I would also tell him that this study opens a new world, brings a broader understanding of things, and makes all things unified. That it means careful observation of current events, and discussions of present-day, vital problems, that are more interesting and alive than any of his other studies could afford. That through this subject all his other subjects will be a part of the whole, rather than disjointed, "outside" activities.

Most important of all, that money is not merely something to hold in the hand, but a stream, a power, that flows through people in their relations with each other, and without which they could not properly exist.

Oh, so many things I could tell that brother of mine if he would only listen and consider. Besides the invaluable practical knowledge that he will gain, he will have added something new to his life. Something that will make him realize that every phase of his life and every experience go to make his life fuller and more complete, for we are all a part of the "creative force."

Perhaps I haven't expressed myself clearly, and perhaps I'd only muddle him if I were to try to explain. But that is the nearest I can come to an expression of what economic education has meant to me, a newer, better understanding of money (and its relation to human beings) and wiser, more philosophical outlook on life in general.

Would he understand, I wonder?

STATEMENT BY GEORGE SHIBLEY, DIRECTOR OF THE RESEARCH INSTITUTE, OF WASHINGTON, D. C.; MEMBER OF UNITED STATES SUPREME COURT BAR

BENEFIT FUNDS FROM TAXATION OF RENTAL VALUES AND OF CONCENTRATED WEALTH

Mr. Chairman and gentlemen of the committee, my name is George Shibley, and I am director of the Research Institute, of this city; and am a member of the United States Supreme Court bar. For 40 years I have been an independent social scientist, paying my own way and supporting various activities in the public interest. I am aiming at equal rights in regulated private enterprise, the program for liberty, the liberal program.

I ask your attention to suggest that in your search for benefit funds for our citizens against economic hazards you consider the following social philosophy and actual facts of history in our Republic.

In the levying of taxes by Congress there are two main systems: To levy in such manner as to cause the consumers to pay the tax; or to cause the holders of special privileges in this country to pay the tax.

In the latter category, that the holders of special privileges should be taxed to secure the benefit funds which the Nation is looking for to pay the benefits for social security, are:

First. The taxation of land values—the rental value based on location—omitting improvements, fertility, and standing timber. It is taxation of the unearned increment, caused by the presence of population. And—

Second. The taxation of the excessive concentration of wealth.

We first present taxation of concentrated wealth as it calls for historical treatment.

PROPOSED TAXATION OF CONCENTRATED WEALTH

In our Republic the concentration of wealth is so excessive, as an outcome of the rule of the few, for four generations except 1861–65 and 1913–18, that shortly before the setting in of our existing great depression, "504 men in our Republic had a greater net taxable income than the value of all the wheat, and all the cotton produced by 2,800,000 farmers the following year." (Proceedings of the National Grange, 1933, p. 25.)

The explanation is that this excessive concentration of wealth is the outcome of four generations of the rule of the few, by machine-rule party government except 1861–65 and 1913–18. It began in 1844 by the sly debasement of the national nominating conventions of the two parties, by the action of the State committees.

These changes in the mechanism of party government are described in part in a 2-volume work published in 1855, written by former United States Senator Benton, in *Thirty Years View* (vol. 2, 596).

In 1860, at the polls, the voters recaptured their National Government, but an outcome was the Civil War for 4 years and the saving of the Union, and the ending of chattel slavery.

But with the ending of that internal war and the assassination of President Lincoln reaction set in in Congress, and it was continued until 1908, a period of 43 years, and the rolling up of concentrated wealth.

In 1908 both of the national nominating conventions of that year were liberal. But President Theodore Roosevelt's candidate for President in the Republican National Convention who was elected turned out to be reactionist: Secretary of War Taft of the Roosevelt Government.

Then at the next election, in 1910, former President Roosevelt came out against the policies of President Taft, thus becoming a balance of power for a liberal House of Representatives, which made good, and as the next campaign approached, in 1912, the only real issue was, Which of the liberal leaders shall become President? The award went to Gov. Woodrow Wilson, of New Jersey, an expert in economics and government. The election was another peaceful revolution at the polls. This is told in President Wilson's inaugural address and in the ending of the worst of the privileges up to the time of the outbreak of the World War.

That is, in 18 months there was ended the trust era, including the ending of the Bankers' Trust in Wall Street. It was the setting up of the Federal Reserve System and of the Federal Trade Commission, the enactment of the second anti-trust statute, and revision downward of the tariff on imports.

Then after 6 years of this Wilson liberal Government there came reaction at the polls in the 1918 congressional election, a counterrevolution. Both Houses of Congress were returned to the old guard of the special interests and it was continued in the next election, 1920. On March 4, 1920, a liberal cartoonist pictured the special interests backing up to the National Capitol a moving van to take control. And that was done.

So openly did the special interests rob the country that after the sudden death of President Harding three of his Cabinet members were driven from office by investigations by the liberal Senate.

However, for 12 years the reactionist Republican Government was continued at the polls. And now for 2 years there has been in office a Democratic Government, and it is about to enact security legislation, a leading issue being: From whence shall come the necessary funds by taxation?

I am herein proposing that these funds for social security shall come from two main sources: From a much higher income tax on concentrated wealth and from funds by a tax on land values—the rental value omitting improvements, fertility, and standing timber, but at the start to touch only the rich, who will not be inconvenienced.

Thus the two main sources of taxation for the start are outlined, but during the coming generation there will surely be taken over by the people, the voters, the entire unearned increment, the bare value of the land, the location. This is to be taken by the ones whose presence creates the value, and in doing so it will raise the standard of living.

At the start of this social security legislation at this session of Congress the viewpoint should be to best promote the general welfare by supplying funds for the maintenance of the unemployed, and for the support of such as are in declining years, and as are defective; also the fatherless children, and later the support of all children. After we are out of this depression there is not likely to be any considerable unemployment because of liberal government.

The liberal program.—The technical name for this plan of taxation is the program for liberty, equal rights, before the law, the liberal program. This is in contrast with the conservative program, in less polite language, the reactionist program, of the ruling few.

This liberal program as to taxation is that the land values created by the presence of the people should go to them, but the legal title to the land continue as private property as at present.

The reactionist program of the at-present ruling few—the ones who each 2 years invest in the millions of dollars of campaign funds—is that the funds for the proposed social security shall come from a tax levied on all of the consumers, with the monopoly of land values to continue to the ruling few, along with the retention of the other special privileges, including the privilege of supplying most of the campaign funds.

An added argument.—An added argument for the proposed tax on concentrated wealth is that the considerable ending of concentrated wealth is necessary for the ending of the unemployment. That is, in order that full-time employment shall again proceed the product must be consumed, whereas the excessively rich pile up most of their income by offering to reinvest it. Each thoughtful citizen can see the point.

The remedy.—The remedy for the existing great depression, a depression the continuance of which is frightening everyone, is the liberal program, for the restoration of liberty, as I have said. Deflation is the main cause of the depression.

Our country's history.—I have outlined our country's history as to liberal and reactionist government and briefly mention the principal books on the subject.

In 1855 was published *Thirty Years View*, describing at that time the rule of the few, and something as to how in 1844 the people lost their political liberty. The author is former Senator Benton.

In 1888 was issued the two-volume work, *The American Commonwealth*, by James Bryce, a liberal member of the British Parliament, aided secretly by various of our patriotic citizens.

In 1913 was published *The New Freedom*, an epitome of President Woodrow Wilson's campaign speeches, and in 18 months the outcome of the Wilson liberal government was the ending of the trust era, as I have outlined.

Thus in the standard books is proved the rule of the few at times in our Republic. The outcome during the four generations just passed has been the excessive concentration of wealth, as I have described. Now our Nation is searching for funds to pay for social security, a next step in our social development, and I

have pointed to sources which if tapped, will vastly benefit the Nation—will considerably raise the standard of living.

I now mention the 2-volume work published in 1835 wherein is set forth the remarkable equality of opportunity at that time in our Republic: Democracy in America, by Alexis De Tocqueville, of France.

Our country at this session of Congress in deciding the policy for financing social security should read as follows by Dr. John Dewey, professor of philosophy at Columbia University: In the 600-page volume, *The Philosophy of Henry George*, by Dr. George Geiger, associate professor of philosophy, University of North Dakota, the noted John Dewey in the foreword, says,

“Dr. Geiger has given us a book which meets contemporary demand for an adequate interpretation of the thought and activity of Henry George regarded as a vital whole. It will enable the reader to obtain a clear and comprehensive view of one of the world’s greatest social philosophers, certainly the greatest this country has produced.”

The date of that book is 2 years ago. It emphasizes that in no sense was Henry George a land nationalist. His plan is a plan of taxation by leaving the legal title in private owners as at present but that society, which by its presence creates land value, shall take to itself that value (p. 130). At the same time to do justice to the investors in land; that is to apply a progressive policy of land-value taxation, namely, to apply gradually the idea of land-value taxation, so as to prevent injustice to land owners. (Louis F. Post, in *The Prophet of San Francisco*, 261.)

An inappropriate name is the “Single Tax”, for other forms of taxation are necessary, plus the fact that at the start only the thin end of the system is to be applied.

In conclusion.—In conclusion I summarize the foregoing as a whole by the following draft of a proposed joint resolution for Congress:

“Whereas government is of three main types—liberal government, conservative government (also described as reactionist government), and radical reactionist government; and

“Whereas liberal government aims at the voters’ liberty, the liberty of each limited by the like liberties of all, while conservative government is government by the few, aiming at special privileges for themselves; and

“Whereas our Congress is searching for benefit funds, for the payment of security to our citizens against economic hazards, and has the choice of two main systems, the levying of the tax in such manner as to cause the payments to come from the consumers, or to cause the payments to come from the holders of the existing special privileges: Therefore be it

“*Resolved by the House of Representatives of the United States (the Senate concurring),* That for a more equitable distribution of products in private enterprise and a more continuous employment of the work people, there shall be ended by progressive taxation of incomes and progressive taxation of land values, the excessive concentration of wealth, a concentration the outcome of four generations of the rule of the few, by means of machine-rule party government except 1861–65 and 1913–18. The year 1844 is the date of the people’s loss of liberty nationally; and further

“*Resolved,* That the funds for economic security for the people of the Nation and of the States should come wholly from the levying of taxes by Congress on the special privileges (1) of concentrated wealth and (2) of land values based on location, omitting improvements, fertility, and standing timber, but not to touch incomes of less than \$10,000.”

STATEMENT SUBMITTED BY THE UNITED STATES ENGINEERS, INC., NEW YORK CITY

HON. PAT HARRISON, *Chairman Senate Finance Committee:*

Herewith for insertion in record in hearing on economic security bill, two communications among many that have been submitted to the President with a vital bearing on this bill and other legislation being considered.

A single sentence in letter to the President, of May 17, should be carefully considered by this Congress: “There is nothing too big to do that we can do, and if we can make it pay to do we must finally do it or sink into oblivion.”

U. S. ENGINEERS, INC.,

By W. EDWARD NEWHUT,

Prof. Engineer, New York State Representative Agent.

Address: General Delivery, New York City.

THE SEVENTY-FIFTH PARTY

THE PROGRESS PARTY

Slogan.—War against Nature, to conquer her, control her, and transform her into a willing mistress in the service of mankind.

To draft all the forces of society available in men, machinery, and management in a common purpose, in a perpetual campaign, never ceasing until the earth has been transformed and "Thy kingdom come, Thy will be done, on earth as it is in Heaven."

Statement of purpose.—The time has arrived to promulgate a new declaration of independence in these United States of America.

"We hold these truths to be self-evident, that all men are created free and equal and endowed with certain inalienable rights, among which are life, liberty, and pursuit of happiness, and for the securing of these governments are instituted among men deriving their just powers from the consent of the governed."

Pioneering on this continent from the Atlantic to the Pacific, seizing, occupying, and holding the choice areas of North America, we have had an opportunity, growing from a handful of settlers to over 122 millions, to push forth as conditions in more settled areas became intolerable or burdensome, to spread over unoccupied lands, and—under "rugged individualism", the free play of initiative and enterprise, the grasping, grabbing, and skimming the cream from unrivaled natural resources—to make this the richest and fullest developed by the modern machine process of any part of the earth's surface.

In doing it great industries have been built up, unrivaled systems of transportation and communication created, and the capacity to produce beyond the bounds of the supremest wants and desires of us all are awaiting fulfillment. And now what is the next step?

"New occasions teach new duties,
Time makes ancient Truth uncouth,
They must up and ever onward
Who would keep abreast of Truth."

One thing primarily, this country has differed from others in our unique growth from a primitive wilderness, has been a two-party system, which, by and large, with all its faults, has enabled us to make definite decisions politically. With the limitations, all of us endowed with "one-track minds", this process in politics has enable few and only momentous decisions to be arrived at, following the great changes in the field of "free competition" to establish the political change after the fact in the economic realm.

Though this rough-and-ready process plunged this country into the greatest civil war of modern times, we as a Nation have passed through the fiery furnace of trial and tribulation and emerged with ever greater strength and unity in the play of social forces toward a common end.

Withal we are a people of the intensest sentiments—the play of patriotism, the intense devotion to and veneration of the founders of the Republic. Among these minor sentiments some look upon their membership in the Democratic Party, of Jefferson and Jackson, Cleveland and Wilson, as something to be proud of; while others, adhering to the Republican Party, of Lincoln and Grant, McKinley and Theodore Roosevelt, equally feel proud of that membership. Recent terms of Congress have shown more and more disposition by Members and Presidents to find common ground, with less resort to merely partisan bias.

Hence the Progress Party calls upon all citizens, without regard to previous party affiliations, as well as the great mass of independent voters, who in recent years have determined election results by unprecedented landslides in an effort to find some course to follow politically, leading to the "new deal" that promised to get us somewhere.

Pursuant to this purpose, we herewith present the following platform of the Progress Party:

PLANK I

New declaration of independence.—No life, liberty, and the pursuit of happiness is any more possible to all of United States without an assured certain income for every citizen arriving at majority and extending throughout life. Therefore the United States establishes a universal yearly salary in six categories, beginning at \$1,500 yearly minimum, first category, common labor.

Second category, \$3,000 yearly, foremen and skilled labor, one-tenth in number of first category.

Third category, \$6,000 yearly, superintendents, etc., one-tenth of second category.

Fourth category, \$12,000 yearly, managers, scientists, etc., one-tenth of third category.

Fifth category, \$25,000 yearly, such as directors and heads of well-managed industries, transportation, communications, Members of Congress, judges, Governors, heads of large cities, labor leaders, foremost professional men, etc., one-tenth of fourth category.

Sixth category, \$50,000 yearly, one-tenth of fifth category, less than 1,000 in the United States who can spell "ablest"; designation not necessary.

Multimillionaires over \$50,000 yearly income outside of categories, including President of the United States.

PLANK II

With the unlimited capacity of the modern machinery of production every citizen in the six categories shall receive a yearly increment in salary raise of 6 percent and a bonus doubling the salary at the end of each consecutive 10 years. All citizens of whatever occupation unable to make a minimum income of \$1,500 yearly put in Government employment on public works.

PLANK III

All persons, partnerships, and corporations managed so as to be able to pay minimum salaries in the different categories to employees, with increments from year to year, to continue in free and fair competition with no restrictions as to any improvements and/or consolidations for more efficient and better service.

PLANK IV

All minors placed in universal service for 3 years, 18 at \$600 a year, 19 at \$900 a year, 20 at \$1,200 a year. Service may be in private and/or public employment to secure the best training and experience. At 21 minimum of \$1,500 or higher if they have qualified therefor.

PLANK V

Poll tax, \$150 a year on all citizens over 21. Unchanged for 10 years while increments are increasing salaries. Raised to \$300 a year on increase to \$3,000 a year minimum at the beginning of second 10 years. Or a poll tax on all citizens equivalent to 10 percent on each doubling of minimum salary.

Income tax of 10 percent on all incomes in categories 2 to 6, inclusive, varying every year according to increasing salaries. Income tax of 20 percent on all incomes over \$50,000.

Tax-exempt bonds done away with; levy of one-half of 1 percent on all bonds in whatever amount held by anyone. General sales tax of 2 percent. Internal revenue and tariffs on same general basis as previously laid.

PLANK VI

To establish an equitable, well-balanced growth and development of the whole of the United States, eliminating all unnecessary duplications and expense, giving the best results to all in every part of the United States, all State, municipal, and local taxes are abolished and the sums needed to carry on all State, municipal, and local activities apportioned out of the income of the United States so as to give to every part of the country the very best results for the benefit of each of United States separately and all of United States jointly.

PLANK VII

Capital investment by United States in largest projects at lowest unit costs—dams for "white coal," potable water, irrigation, and fisheries. Ditches for canalizing and lake connections. Drains to transform swamps into finest garden and farming areas, rented to ablest farmers and gardeners at rents beyond competition. Terracing of mountains, irrigation of arid lands. Forestation of all lands not otherwise better used on largest scale by United States at lowest unit cost. United States owning and renting to users.

United States capital investment at greatest speed consistent with good workmanship in heat-and cold-proof, fire- and flood-proof, tornado, hurricane and earthquake-proof structures, the best built on the largest scale at the lowest unit cost, rented for residence, business, industries, warehouses, and other purposes. United States the landlord.

PLANK VIII

United States progressively reinvesting obsolescence, salvaging and transforming United States industry and methods of production by issuing 3-percent United States bonds with 2-percent amortization, giving ownership in fee simple by United States in 50 years.

United States loans to private enterprises, farmers, industries, transportation, communications, mining, etc., of demonstrated merit at 5 percent on a 20-year basis, renewals where success renders them desirable. United States landlord.

PLANK IX

Universal 6-hour day, 5-day week established in all Government and private works for all employees. Four daily shifts of 6 hours and a stagger system wherever more efficiency at less cost is obtained by use of automatic machinery, processes and/or continuous operation.

PLANK X

Until complete world disarmament the maintenance of Army, Navy, and air forces for defense superior to that of any other world power.

PLANK XI

All citizens of the United States to be registered with individual yearly identification papers supplied. All aliens in the United States shall have 10 years to complete naturalization from their date of entry. On failure to do so at the end of 10 years to be returned to the country of origin. Whenever the construction projects in the United States exceed the amount of labor available, alien laborers under their foremen may be brought in to serve not more than 5 years continuously at a salary greater than the country of origin but less than in effect for United States workers. Such work shall be confined to that not considered essential from its character for the defense of the country and preferably such as would give the aliens the best training in those special public works their own country could most benefit through their experience on their return.

PLANK XII

As a means of stabilizing prices, more necessary safeguarding unforeseen demands in time of peace as well as urgent necessity in time of war, all metals and materials that can be stored without deterioration indefinitely shall be acquired from mines or other producers by United States and stored in safest structures, location concealed, in at least 10 years' supply as of current use. "A store is no sore."

PLANK XIII. EDUCATION

Establishment of a universal system of education in which every child from its earliest years shall have Boy Scout and Girl Camp Fire training in camps established all over the United States and possessions so every child shall have contact and experience growing up in every part of the United States.

All scoutmasters and Girl Camp Fire matrons to be drawn from the citizens at retirement age of 65 from such as indicate special fitness and love of this work and best liked and appreciated by the children. The teaching and administrative staff in all phases of education up to universal service at 18 also drawn from the ablest leaders of society at retirement age whose outstanding accomplishments render their advice and counsel invaluable. The independent incomes of all citizens at retirement giving no incentive to take up the work except interest and ability. The aim shall be to secure in the greatest measure self-made men and women with economic self-reliance and self-support in the process of education.

A department of education with a secretary of education, a new Cabinet officer, to be the head under the President.

PLANK XIV

The United States shall have the sole power to coin money and regulate the value thereof.

The assumption of some of these functions through private credit proving its incapacity to produce the best results, the United States extends the Postal Savings banks to merge all mutual savings, commercial, investment, and private banking, life and fire insurance, brokerage and stock exchanges, mutual loan and mutual building associations into the great United States house of finance. Every officer and employee of the present organizations merged, apportioned their particular work in the institution according to their demonstrated functions and abilities.

PLANK XV

Foreign commerce controlled directly by the United States based on the principle of exchange of all commodities to the fullest degree for the mutual benefit of the United States and the country exchanged with. The process of foreign exchange to be a function of the United States house of finance so a fair deal for all may be secured, as the program now with gold and silver gives indication of success.

PLANK XVI

Amendment to United States constitution for initiative, referendum, imperative mandate, recall, and direct election of President and Vice President by popular vote.

PLANK XVII

Criminals with anti-social, atavistic complexes justifying life imprisonment to be confined in remote island institutions under charge of the United States; one in the Pacific Island of Guam and one in the Atlantic on the most inaccessible of the Virgin Islands. While safeguarding society by such inaccessible segregation, scientific research to be made of them to extend the knowledge of psychology and discover the best methods of control and prevention.

PLANK XVIII

To provide data for the exhaustive planning, estimate and comparison of every project on the land surface of the United States and a necessary preliminary to an extensive series of test drillings 2 miles or more in depth in at least 10-mile squares all over the United States to get comprehensive accurate data of the geological resources of the country, the completion of the topographic surveys and topographic contour maps of the United States in their entirety shall be placed first on the calendar as the most urgent task to complete with the greatest speed consistent with accuracy.

PLANK XIX

Extension of research and laboratory functions of United States departments, Bureau of Standards, and other. All previous inventions to be culled over for overlooked inventions worthwhile, and all new inventions and discoveries to come to these agencies for careful test and comparison. The United States sitting in and participating in returns from all patents and discoveries granted by the Patent Office up to 5 percent of actual profits therein.

PLANK XX

Great American Competition.—Two billion dollars in prizes. Every person able to read and write over 13 years of age, eligible and required to compete. Everyone to receive at least \$10 to \$5,000,000, the grand prize. Data from which great American plan is derived to run the United States for next 40 years. Plans submitted by secret Australian ballot system. Names kept in United States secret archives.

Thereafter system of yearly awards established for suggestions of improvements and changes that may be adopted making an elastic plan capable of healthy growth.

PLANK XXI

Building of great air rafts to remain in and travel exclusively in the stratosphere with suitable floating stratostations near the great centers of population in the United States. Their extension for a world system of transportation as fast as helium can be obtained from the United States and/or elsewhere.

The heavier-than-air craft with air-tight cabins forming loading and unloading elevator service. These air transport facilities shall be kept under the sole ownership and control of the United States.

U. S. ENGINEERS, INC.

MAY 17, 1934.

HON. FRANKLIN D. ROOSEVELT,
White House, Washington, D. C.

DEAR MR. PRESIDENT: Herewith copy of Senator Norris' Senate Resolution No. 164 with 21 suggested points to plan giving some of the implications and extent a faithful attempt to carry it out would lead us to.

Its passage by the Senate and the little work you have done on it since is the one greatest event since you took office. What, after all, are the others but parts of "the experiment" that demonstrate most completely that they are "incompetent, irrelevant, and immaterial", while resolution no. 164 is the start to take us into a new world not through a rejection of capitalism but through supercapitalism to the nth power, completing its destined task in this land chosen by manifest destiny for its highest fruition.

We cannot after these 15 months much longer persist in "progress within the framework of the existing system of private enterprise and private profits", but rather under Senate Resolution 164 the path is made plain under supercapitalism to advance "a law of necessity in capitalism that obliges it to employ its profits toward the future, so there is a law of power that forbids those who possess it to rest upon it; for if they do they will lose it; and then a law of life that compels strong and virile nations to go competing for power. The one most resolute to go on with the method we talk so lightly of giving up, would, if we did give it up, very soon pass us and take that command of the world which belongs to one people at a time.

Simply perhaps in antelimax it must be said in conclusion, "There is nothing too big to do that we can do, and if we can make it pay to do we must finally do it or sink into oblivion."

None of the 21 suggestions A to U appended to resolution 164 are too big to do—they all can be made to pay to do. If there are any bigger and better than them they will simply displace them. Grim necessity will force us to adopt them.

Yours respectfully,

W. EDWARD NEWBERT,
Professor Engineer, New York State.

General delivery—Washington, D. C., and New York City.

[S. Res. 164, 73d Cong. 2d sess.]

Resolved, That the President be, and he is hereby, requested to send to the Senate a comprehensive plan for the improvement and development of the rivers of the United States, with a view of giving to Congress information for its guidance in legislation which will provide for the maximum amount of flood control, navigation, irrigation, and development of hydroelectric power.

Senator Norris, change "control" to "prevention."

A

We will make a plan conforming to S. Res. 164 for the next 50 years.

We will set all labor to work at continuously increasing salaries.

Capital reinvested in soundest securities in Uncle Sam's projects.

We dam, ditch, and drain.

Universal terraced lakes, stocked with fish, hydroelectric power, terraced mountains, forestation, irrigation, new soil supreme.

Safest structures sheltering all of United States.

All under giants of modern progress. Let's go.

B

Let the Rushmore contest inscribe in imperishable stone the best memorial of the American people for the significant events and expansion of their country to 1934.

Closing up the epic of the past, let the United States open a greater volume.

Our ancestors did themselves proud in a Lilliputian world—a world of midgets.

Now let us hasten into the land of giants ahead. Uncle Sam, the sleeping giant, awakes.

C

Maximum, the limit, i. e., a great seaway across Florida, the Mississippi River from St. Louis to the Gulf, like the Riker project, each finally 3 miles wide and over 300 feet deep.

Alluvium from the Mississippi River mixed with pulverized phosphate of lime from the Florida seaway, making the new soil of incredible fertility, distributed and leased at lowest cost around every city and on mountain terraces, defrays the entire cost. Let's start.

D

A great task needing all the forces of men, machinery, and management for the next 50 years.

Merge Democrats, Republicans, Farmer-Laborites, and the great masses of independents on the platform of the new progress party through which capital, labor, agriculture, transportation, and communication, including radio and movies, are concentrated and cooperating unitedly on this project of the great giant, Uncle Sam.

E

From 150,000 to 200,000 dams required in the United States, converting all streams into lakes from a few acres in extent to the greatest.

The smaller dams to be built by Boy and Girl Scouts for scout camps; larger ones by local groups for private use and public parks.

The largest dams to be constructed by the United States in a great system of terraced lakes in the several States, connecting with lakes in Canada and Mexico, and extending from Central America to Alaska.

F

Dams from 50 to 1,000 feet in height, of the Ambursen water-tight apron type with lake side on 2 to 1 slope, roadway on top, downstream face vertical, and metal trussing in box construction making a hollow structure to be utilized for factories, stores, warehouses, etc. Same also to be used for dam fine apartments. Thus cost of dams can be largely charged to rentals by United States.

G

"Maximum amount of * * * development of hydroelectric power." requires greatest terraced lakes the land topography permits and puts great number of cities and towns under water, as well as low parts of some large cities.

Combination of "Ambursen" hollow dams and hollow mountain terraces transfers people to new structures where best air conditioning and finest living facilities may be built on the largest scale at the lowest rentals by the United States.

H

The program of putting people in new structures, determined by great terraced lakes, from their greater desirability, renders all other present structures obsolescent. Reconstruction for all other cities, towns, villages, and other individual residences becomes essential. On the largest scale, the best at the lowest unit cost is obtained, rented by United States at the lowest rates, finally making United States the only landlord.

I

Great terraced lakes at their maximum puts large part of railroad and highway mileage under water.

The plan to follow in this emergency is to develop a helium transport service in the stratosphere with heavier-than-air express in cooperation, doing away with railroad and ocean shipping by the better, faster, safer transportation in the air.

The United States' monopoly of helium makes the United States master of the air.

J

Primitive civilizations terraced the Andes by low, rubble walls with trickling mountain streams for irrigation.

Great terraced lakes created by United States, giant of the machine age, finally completes terraces of America to highest peaks, covered with richest soil. Terraces from 25 feet to heights rivaling skyscrapers, and hollow for terraced cities accommodating untold billions. A task lasting for centuries.

K

The great terraced lakes, interconnected on same levels, make necessary the L. W. C's, universal land and water carriers from family sizes for pleasure to gigantic freight transports exceeding 2,000,000 tons gross, carrying vast tonnages on land or water at low speed, like tramp steamers, and at nominal rates, uniform for all distances like postage. Plans ready when needed, starting as rich soil carriers.

L

Requiring intensive prosecution for 50 years of the entire man power, machinery, and management of the United States; a universal pay roll of all from 21 to death is established starting at a minimum yearly salary of \$1,500 in six categories to \$50,000. All the complications of life insurance, pensions, etc. are eliminated by the United States taking all the risks for all citizens. (See plank I, Progress Party.)

M

With the unlimited capacity of the modern machinery of production, every citizen in the six categories shall receive a yearly increment in salary raise of 6 percent and a bonus doubling the salary at the end of each consecutive 10 years.

All citizens of whatever occupation unable to make a minimum income of \$1,500 yearly, to be put in Government employment on public works. (See plank II, Progress Party.)

N

This resolution requiring fullest freedom to compete fairly under the N. R. A.: "All persons, partnerships, and corporations managed so as to be able to pay minimum salaries in the different categories to employees, with increments from year to year, to continue in free and fair competition with no restrictions to any improvements and/or consolidations for more efficient and better service." (See plank III, Progress Party.)

O

Program under resolution requiring intensive training of youth:

"All minors placed in universal service for 3 years, age 18 at \$600 a year, age 19 at \$900 a year, and age 20 at \$1,200 a year. Service may be in private and/or public employment to secure the best training and experience. At age 21 the minimum of \$1,500 a year or higher if qualified therefor." (See plank IV, Progress Party.)

P

"As a means of stabilizing prices, safeguarding unforeseen demands in time of peace, as well as urgent necessity in time of war, all metals and other materials that can be stored indefinitely without deterioration, shall be acquired from mines or other producers by the United States and stores in safest structures, location concealed, in at least 10 years' supply as of current use. 'A store is no sore.'" See plank XII, Progress Party.)

Q

An emergency existing for at least 50 years, with all the resources of the country concentrated on great public works under S. Res. 164, it becomes of vital necessity to merge all institutions of finance into the great United States House of finance to coordinate and cooperate in all their functions to the one common end. (See plan XIV, Progress Party.)

R

Foreign commerce controlled directly by the United States based on the principle of the exchange of all commodities to the fullest degree for the mutual benefit of the United States and the countries with whom such exchanges are made.

The process of foreign exchange to be a function of the United States house of finance so that a fair deal for all may be secured, just as the program now with gold and silver gives indication of success. (See plan XV, Progress Party.)

S

Most urgent for immediate completion: "To provide data for the exhaustive planning, estimate, and comparison of every project on the land surface of the United States—the completion of the topographic surveys and topographic contour maps of the United States, in their entirety, shall be placed first on the calendar as the most urgent task to complete with the greatest speed consistent with accuracy." (See plank XVIII, Progress Party.)

T

Of vital importance: "Extension of research and laboratory functions of the Bureau of Standards, United States Departments, and others. All previous Patent Office filings to be culled over for overlooked worthwhile inventions; and all new inventions and discoveries to come before these agencies for careful tests and comparison. The United States sitting in and participating in returns from all patents and discoveries up to 5 percent of actual profits therein." (See plank XIX, Progress Party.)

U

Analogy: Capital and labor chasing each other around in a circle inside a high, tight, sharp pointed, picket board fence, each trying to get more than there is from a common trough.

Senator Norris' resolution knocks a wide board off the fence so we can crawl through and get no end of room and new troughs with supply ample to fill them for all.

Let capital and labor crawl through their fence of limitations, spread out, and dig.

U. S. ENGINEERS, INC.

GENTLEMEN OF THE UNITED STATES SENATE FINANCE COMMITTEE: I have been asked to give some idea as to how I would dispose of \$200 in a month. In the first place I am 80 years of age. My dear wife is 64. I have been struggling along for the last 30 years building up my home. When 12 years had passed I married a good little woman with five children. My house was small, only two rooms to it. Wifey being very frugal she handled my little Army pension very well, having had experience in business. She had kept a store at Fifteenth and P Streets NW., District of Columbia. We considered we would have to have a larger house.

I never drove a nail in my life, but I added six rooms to the little house and wifey disposed of what farm truck we raised, and with the chickens, eggs, etc., we did very well. Together we planted fruit trees and learned to bud and graft fruit trees, and it seems that I have more and more grafting to do every year. I have now 150 black walnut trees, 1- and 2-year olds that I am budding. I have an orchard of 150 fruit trees which must be sprayed at least six times a year. I have done it but I cannot prune the trees, plow, harrow, and seed the ground. Many things are to be done about the farm of 12 acres that I must have 1, 2, or 3 men. To do that would take \$180 right there, then there is \$20 for us, wifey and I, to live on.

Then wifey's \$200. She would get her washing and ironing done and ever so many convenient things needed. Electricity in the house, bathroom, running water; improvement in the lane that leads to and around the house and to the barn; painting the roof of the house and barn; repairing or renovizing the barn and stable; building a garage and buying an auto; hiring a chauffeur.

As for myself I can always find something to do about the place. Just now I need an iron fence all around the 12 acres.

Wifey and I would not have to worry about getting rid of \$400.

Now as to the plan of Dr. T. E. Townsend. It is said that the 2-percent sales tax would not be enough to finance it. The President has the authority to increase the sales tax 3 or more percent to meet that part of it. How about a 1-cent raise on the postage stamp? What an awful load the tax would be to meet the bill on \$4,880,000,000.

Now, as I am speaking of the Townsend plan I might as well say that the so-called "loan" from the United States Treasury, it is not a loan, it is a labor of love—a present from the people, by the people, to the people. Our aged brothers and sisters, our buddies in the battle of life, the struggle for existence, which now is more keen than ever, and this remedy that we would apply with

kindness, sweetness, affection, consideration, endearing words, and sentiments. There are not words at my command to express what I and many others of our brothers and sisters would repeat again and again to and for them.

President Roosevelt has said through his Cabinet that Congress has the power, the authority to enact the Townsend plan old-age pension if it sees fit.

These post cards, these letters, these numberless and enormous petitions are reminders that the Congress "does see fit."

Apologizing for so many digressions, I would return to the question: "How would you spend the \$200 monthly?" I have a stepson, a fine mechanic, who has been used very hard by this depression. He has seven little children, a good, hard-working little wife. The oldest child, a girl, is 11 years old, the youngest is 2 years old. I would put a ton of coal in his woodshed and a couple loads of wood to keep it company. I would put a new roof on this house, which by the way is advertised for sale on a delinquent-tax list. I would stucco his little home. Put some clothes on his little ones, see to it that a doctor was a regular visitor to his house and a nurse to help the mother and babies. The father works "for a percentage" when he does work and he is always ready. And just think of the fathers and mothers that are in just as bad a condition as he and in some cases worse.

I have three stepdaughters that are struggling along in the battle. I could get them to send their bill, rent bill, to me and I could pay one-half of it which would be having a pleasure indeed. They and wifey want a new house, a little bungalow, with all the modern conveniences.

I will not apologize for writing so much. I write for those who cannot write, and their number is a multitude.

So we say, wifey and I, see fit. See it quick.

Sincerely,

BENJAMIN F. ADAMS.
HENRIETTA M. ADAMS.

The CHAIRMAN. I am submitting for the record a statement by Mrs. Margaret Sanger, president National Committee on Federal Legislation for Birth Control; also statements submitted by Hon. Thomas Kennedy, Lieutenant Governor of Pennsylvania, and international secretary-treasurer United Mine Workers of America; and by Mr. Lawrence L. Gourley, Washington, D. C., representing the American Osteopathic Association.

STATEMENT BY MARGARET SANGER, PRESIDENT, NATIONAL COMMITTEE ON
FEDERAL LEGISLATION FOR BIRTH CONTROL

There can be no respect for any plan of the future unless it can prove it will eradicate the evils of the present.

Title VII, section 701 (a), page 50 in S. 1130, on maternal and child health, aims to protect the health of women and children in rural areas by extending maternity nursing care to these districts.

I do not come here to speak against this bill—far from it—I come to ask your consideration of its broader aspects and to ask an addition in the form of birth-control clinics, and caravans where women in rural districts may receive adequate contraceptive instruction from qualified sources suitable to their physical and economic condition.

It has been stated before this committee that the infant death rate is higher in the rural than the urban districts; also that there are 300,000 mothers eligible for aid but not receiving it, and that millions are suffering from undernourishment—that babies die primarily because the mother does not know how to take care of them. These are doubtless all-important factors in maternal and infant deaths but from my own studies and experience, first as a nurse among destitute mothers and later from the records of our birth-control clinics, I am convinced that these outside considerations are not enough. They do not touch the source of the problem in the necessity of spacing the births of children in the family and the mothers' right to knowledge to avoid pregnancies:

First. In consideration of her own health.

Second. The husband's earning power.

Third. The children's health and their inheritance.

There are many diseases of women where pregnancy is such a disturbing factor that a cure is almost impossible. In such cases contraception is as important as any medical or nursing care, and without sound advice on birth control the patient dies.

In our clinical work we have found the following list of diseases to be medical indications for contraceptive advice: Cardiac disease, renal disease, tuberculosis, syphilis, diabetes, epilepsy, paralysis, feeble-mindedness, pelvic deformities, tumors, nervous and mental disorders, insanity during and after pregnancy.

Ours is the only country with modern medical care that omits birth-control instruction to mothers suffering from these diseases. Consequently we have a high maternal death rate and will continue to have in spite of this appropriation unless mothers have knowledge of contraception and use it to protect their health and prevent increasing physical and mental suffering.

It is estimated that the frequency of abortions is also an important factor in maternal mortality.

Allow me to present the following table relative to an analysis of 1,000 women patients who attended one of our clinics in New Jersey.

Of 1,090 patients who attended this clinic, 906 reported having had one or more abortions. Of these, 376 were spontaneous and 46 therapeutic; 167 were done by physicians, 73 by midwives, and 243 were self-induced. It is a conservative estimate by those authorities qualified to know that over 1,000,000 abortions are performed in this country every year.

Can anyone calculate the amount of misery, chronic sickness and premature loss of life that this practice leads to. The only way to effectively reduce the number of abortions is to provide them with safe, scientific, reliable contraceptive measures suitable to the individual woman's requirements.

If you consider that there are over 26,000,000 married women of child-bearing age in this country, many of them dependent on relief funds for their own existence; many of them living in constant fear of another pregnancy that may cost them their very lives. These women plead of doctors and nurses at hospitals, clinics, and relief agencies for information; it is refused them.

Those of us who work among women, and especially the underprivileged women, feel that the greatest contribution which can be made toward the conservation of the relief of mothers and children would be to provide reliable contraceptive advice to the women who come for aid to the Government and State agencies. Not only does the ignorance in this regard affect the mother, but it also affects the children in the family—those already born.

According to a report published by the Children's Bureau, Dr. Woodbury shows that an interval between births accordingly, affects the infant death rate. Where the interval between births is 3 years, the infant death rate is 86.5 per 1,000 births; when the interval is 2 years, the rate is 98.6 per 1,000, and when there is only 1 year's interval the rate is 146.7 per 1,000, showing a very striking increase where there is no time for the mother to recuperate from the strain of the last pregnancy or to prepare for the coming of another child.

When Congress appropriates the people's money for maternal and child health, without which maternal and child health cannot be effectively promoted, it will prove in the space of a very few years that this money has not been appropriated wisely, for it is futile and wasteful to spend money for prenatal and postnatal clinics for women whose lives are jeopardized by pregnancy in spite of such care.

It is important from every aspect of maternal and child health service as indicated in this bill, to include contraceptive advice, and I respectfully suggest, gentlemen, that on page 51, line 12, after the words "child health service" you state "including the establishment of clinics where contraceptive advice can be obtained."

Analysis of reproductive data, according to religious affiliations

	Protestant		Jewish		Catholic		Total ¹	
	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent
Total number of patients.....	1,090	54.5	330	16.5	573	28.7	2,000	100.0
Pregnancies came to term.....	3,336	78.6	869	70.8	2,347	82.6	6,563	78.6
Living children.....	2,985	70.3	809	65.8	2,104	74.0	5,909	70.9
Dead children.....	301	7.1	39	3.3	214	7.5	554	6.6
Still-born.....	50	1.2	21	1.7	29	1.1	100	1.2
Pregnancies terminated prematurely.....	906	21.4	359	29.2	495	17.4	1,177	21.4
Spontaneous.....	376	8.9	80	6.5	264	9.3	724	8.5
Therapeutic.....	47	1.1	25	1.9	13	.5	85	1.1
Physician.....	167	3.9	145	11.9	59	2.1	384	4.6
Midwife.....	73	1.7	16	1.3	32	1.1	121	1.5
Self-induced.....	243	5.8	93	7.6	127	4.4	463	5.6
Total.....	4,242	100.0	1,228	100.0	2,842	100.0	² 8,340	100.0

¹ The total also includes 11 children, 4 spontaneous abortions and 13 abortions performed by physicians among the women of no religious affiliations, or whose affiliation was not recorded.

² The difference between this figure and the total number of pregnancies is due to 26 twin births.

STATEMENT OF THOMAS KENNEDY, INTERNATIONAL SECRETARY-TREASURER,
UNITED MINE WORKERS OF AMERICA, LIEUTENANT GOVERNOR OF PENNSYLVANIA

I have carefully examined the so-called "economic security bill" introduced by Senator Wagner and Representative Lewis. I am in complete accord with the stated purposes of the bill, namely, to provide, among other things, for a system of unemployment insurance and old-age protection for American workers. I believe, however, that the bill as it now stands must be amended in several vital particulars before it can hope to secure the desired objectives in any worthy way. To enact a law which, while purporting to provide economic security for the workers, fails to do so in any large measure, would, in my opinion, be a social catastrophe. I am aware that the argument is made that an imperfect law is at least a beginning, and that improvements can be made later. This is true in many legislative matters. But in the present case, there is the grave danger that a law which is palpably imperfect will result in discrediting the whole idea of economic security legislation, and that vast numbers of workers, whom the law is supposed to benefit, will find themselves unprotected and will feel themselves deceived.

Therefore, it seems to me to be imperative that the proposed law be made as excellent as it can be made at the very start, and that, at the least, certain evident imperfections be corrected.

The most evident imperfection is the failure of the present bill to deal with unemployment insurance as a national problem. At the National Conference on Economic Security, on November 14, last, I expressed my views on this point in some detail. These views were, briefly, that any unemployment insurance to be effective must be national in scope and operation, and that it must be organized and operated under the auspices of the Federal Government. An unemployment insurance system has to deal with industrial problems, and industry is organized primarily on a national basis. All of our basic industries—iron and steel manufacturing, coal mining, textile manufacturing, transportation, etc.—are national in scope and operation. Bituminous coal mining, for example, extends into more than 30 States; competition is interstate; wage agreements are made entirely without regard to State laws. To attempt to impose upon such an industry a series of unemployment insurance systems, based on State boundaries, would be harmful to operators as well as to mine workers. For the operators, it would make fair competitive practices still more difficult; for the workers, it would mean that employees in one State might be well protected in the matter of unemployment insurance, while those in an adjacent State might have little or no protection, and workers moving from one State to another would be absolutely unprotected.

The above is the gist of my remarks on this subject at the national conference last November, some 2 months before the present bill was drafted. My views

remain unchanged. They have, indeed, been strengthened by further thought upon the matter, and I am more than ever convinced that an unemployment insurance system must be established in all industries and in all States, and that the basic standards as to benefit payments, waiting period, etc., must be everywhere the same. The present bill does not even assure that all States will adopt an unemployment insurance system; and it equally fails to assure any real measure of uniformity regarding standards.

These essential objectives can only be accomplished by substituting the subsidy plan for the tax-remission plan. The tax-remission plan will result neither in universal adoption of an insurance system nor in uniformity of standards. The subsidy plan will permit the law itself to set the standards, and will assure universal adoption. Moreover, the subsidy plan is far less complicated from the standpoint of administration and is, I believe, more easily defensible on grounds of constitutionality.

As regards the financing of the unemployment insurance system, I would strongly favor the raising of the necessary funds by increased taxes in the higher income brackets. A pay-roll tax will, in most cases, simply be added to prices, and the workers will thus ultimately pay the bill in the form of higher cost of living.

As regards the old-age protection features of the present bill, two very important changes should be made. First, the amount of the old-age pension should be raised from \$30 to not less than \$50 a month. With our present cost of living, which is constantly increasing, and our American standards of living, an income of \$30 per month represents no more than a pauper's pittance. It is just a little bit better than the poorhouse. A monthly income of \$50 is certainly the least which a wealthy country like ours should even think of offering its unfortunate aged citizens.

The second change should be to reduce the qualifying age for the receipt of an old-age pension to 60 years. Old age, in the physiological sense, may not begin until 65 or even 70. But economic old age, in this era of mechanical conveyors, begins at a much earlier period. Everyone knows that 45 years is now the deadline in hiring new employees almost everywhere, and, even then, the man of 45 has little chance. This is one of the most deplorable features of our modern industrial life, but the situation exists, and a law which seeks to protect the older workers must deal with realities.

STATEMENT OF LAWRENCE L. GOURLEY, WASHINGTON, D. C., REPRESENTING
THE AMERICAN OSTEOPATHIC ASSOCIATION

My name is Lawrence L. Gourley. My address is the Mills Building, Washington, D. C. I appear on behalf of the American Osteopathic Association, at the request of its committee on public relations, for which I am counsel. I am not a physician.

There are approximately 9,000 osteopathic physicians and surgeons licensed and practicing in the United States, about 50 percent of whom are active members of this association. There are also 6 accredited colleges, and something over 193 hospitals and clinics. The American Osteopathic Association, 430 North Michigan Avenue, Chicago, Ill., is representative of the osteopathic profession and of allied institutions.

The association was established to promote the interest of the science of osteopathy and of the osteopathic profession by stimulating research, elevating the standards of osteopathic education, and advancing osteopathic knowledge. Members of the association are required to be graduates of recognized colleges of osteopathy and licensed practitioners. It is organized along democratic lines as a federation of divisional societies established within the States. The house of delegates, comprised of representatives elected by the various federated societies, meets annually as the constituted legislative body of the association. Among the publications of the association are a code of ethics, a yearbook, a journal, a forum, and a magazine.

The attitude of the American Osteopathic Association toward the legislation now before this committee may be characterized as an admixture of commendation and apprehension. Any rational plan which has for its objective an increase in the availability of medical services to needy families and the improvement and further extension of measures of preventive medicine would have the unqualified and active support and the cooperation of the osteopathic profession and its institutions. This bill embodies a plan directed to those objectives, but the

plan is not altogether rational. By rational, I mean, consistent with sound reasoning and conducive policy.

I propose to discuss certain provisions of the bill for the purpose of inducing, if I can, an advance understanding and construction along those lines. I think we will have no trouble in agreeing that any plan, however commendable in its ultimate objective, which injects or permits directly or indirectly any discriminatory features, is thereby and to that extent defective from the beginning. On the surface, this bill appears to be free of such objections. Experience has, however, taught the osteopathic profession that discriminatory features often make their first appearance in administrative policies which are adopted under color of the most innocuous provisions of an act. I realize that Congress cannot foresee every possible construction of its language. Its language must, for the most part, be of broad and general application. The working out of the detail of operation of the statute is logically lodged in the administrative arm of the Government, but it is submitted that all administrative regulations should be directed toward fulfilling the intentions of Congress as expressed in the basic act. The hearings and the reports of congressional committees are indexes to that intention. If you will bear with me, I will discuss the pertinent provisions of this legislation, beginning first with title VIII.

Under title VIII, page 61, section 802, the Bureau of the Public Health Service is allocated the sum of \$8,000,000 for distribution among the States in an effort to further develop State health services. The development of State health services is specifically defined in this section to include the training of personnel for State and local health work. How much, or whether the State receives any of the money for the purpose of training its health-service personnel, depends on the need for it as determined by the Secretary of the Treasury, who is authorized by section 803 of the bill to make such rules and regulations as are necessary to accomplish the purposes of these provisions in the act. Included also in the definition of the development of State health services, as determined by section 802, is the assistance of counties and/or other political subdivisions of the States in maintaining adequate public-health programs. The basis of need is also the gage for determining the allotment for these purposes. Under this set-up, it is obviously important to foresee as nearly as possible what may be the considerations which will enter into the determination of this basis of need. Epidemics will, of course, be considerations, but these, we hope, will be fewer and farther between, and also of a temporary character. Outside the realm of emergency considerations, what are to be the permanent rules? If we turn to page 335 of the unrevised hearings before the Ways and Means Committee, on H. R. 4120, a bill identical with this, we are afforded an advance conception of some of these rules. In the statement therein, furnished by the Surgeon General of the Public Health Service, Dr. Hugh S. Cumming, appears a recommendation of the committee on qualifications of local health officers.

Further identification of the committee referred to is not made in the statement, but one of the recommendations is that in communities having a population of less than 50,000, "the health officer shall have a degree of doctor of medicine from a reputable medical school and be eligible to take the examination for a license to practice in the State where he is to serve. It is not, however, recommended that the health officer shall actually be licensed, except of course where licensure is required by statute as is the case in certain States." Look now at the preceding page of these hearings, page 334. In the same statement and under the heading of "Regulations governing the participation of the Public Health Service in the establishment, development, or maintenance of local health service in rural areas, in the fiscal year 1935", item 6 under this heading reads, "Contributions will be made by the Public Health Service toward the establishment or maintenance of county or district health service only under the following conditions: (a) The county or district unit shall be under the direction of a whole-time medical health officer, whose training shall meet the requirements recommended by the joint committee on qualifications of county health officers and adopted by the conference of State and Territorial health officers." Now, read these two recommendations together and you have a prospective regulation under this act which would deny funds for the training of any health officer personnel other than those with the M. D. degree, and no funds will be given in aid of any county or district health service, unless the health officer in that particular county or district has an M. D. degree. Now, there are somewhat over 100 public-health officers in this country who are osteopathic physicians and surgeons.

Such a regulation would deny any public-health aid under this bill to those communities, unless they should deprive their present health officers of their

precedent to financial aid would be nothing short of dangling money before communities for a surrender of their elective or appointive prerogative in choosing their own public officers, nor is the proposition softened with the consideration that they don't have to surrender these prerogatives under this act—that they can keep their prerogatives and not receive the benefits provided hereunder. If the prevention of disease is important at all, it is just as much so in one community as another, and the principle is un-American which would impose a choice between the right of elective franchise and the extension of public-health benefits. These communities have preferred osteopathic physicians and surgeons as their public-health officers. They have recognized the qualifications of these practitioners for that office. Osteopathic physicians and surgeons are licensed and practicing in every State and Territory of the Union. Their professional training is not inferior to that of any other school of medicine. Their colleges include public-health courses. Their colleges grant the degree doctor of osteopathy. In 1929, in the act to regulate the practice of the healing art in the District of Columbia (45 U. S. Stats. 1326), Congress expressly provided—I am now reading from the law—"The degrees doctor of medicine and doctor of osteopathy shall be accorded the same rights and privileges under governmental regulations." Furthermore, in 1930, in the act providing for the coordination of the public-health activities of the Government (Public Law 106, 71st Cong.), Congress specifically provided—I am now reading from section 11 of the act—"That any regulations which may be prescribed as to the qualifications as to the appointment of medical officers or employees shall give no preference to any school of medicine."

Now, in the face of these two expressed commitments of Congress, we are confronted with the prospect of a regulation which refuses any recognition of the degree doctor of osteopathy and has the effect of depriving every osteopathic physician and surgeon in the country from participation in public-health work, even in his own community. Such a regulation would be outright discrimination, irrational and subversive of the cooperative ideal so important in all social legislation. With the intent of Congress so plainly manifested in prior legislation, as I have suggested, it may not be of imperative necessity that the Secretary of the Treasury be again specifically admonished against discriminatory preferences between practitioners of different schools of healing practice. Such discrimination is so far out of line with this prior expressed intention of Congress, with reason, and with fairness, that this record warning ought to be sufficient. Furthermore, it ought not to be necessary for the osteopathic physicians and surgeons of this country to have to inject into every piece of legislation affecting the healing arts in this country a protection against discrimination or foul play. It should be understood, and it is undoubtedly the will of Congress, that legislation of medical importance applies four-square to practitioners of the healing art.

Next, I call your attention to title VII of the bill. This title is concerned with the furnishing of Federal funds in aid to the States in furtherance of maternal and child care. Section 701, under this title, provides Federal allotment for the extension of maternal and child welfare, and maternity nursing services. Section 702, same title, provides Federal cooperation with State agencies concerned with rendering medical care and other services for crippled children.

Section 703 of that title, extends Federal cooperation with State agencies who are engaged in public-health services, especially relating to the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent. Each of these three sections, which comprise the entire title, imposes upon the States as a condition precedent to an allotment of Federal funds, that each State legislate such a plan for the same general purposes as will meet the approval of the Children's Bureau of the United States Department of Labor. This provision, as it occurs in the respective sections, will be found in section 701 on page 53, in section 702 on page 55, and in section 703 on page 58. One of these conditions precedent, as outlined in this bill, is that it shall be incumbent on the State to specifically provide for itself and the purposes of this act, a plan of cooperation with medical, nursing, and welfare groups and organizations. Each State is thereby confronted with the proposition of erecting such a cooperative plan, whether it wills to do so or not. In addition, its plan must be so evolved as to meet the preconceived notions of the Children's Bureau, else the plans will avail nothing so far as the purposes of this act are concerned. Under those circumstances, it is only sensible to conclude that the States are going to look to the Children's Bureau for guidance. They are going to ask the Children's Bureau, "What kind of a plan of cooperation, and how far in order to meet your

approval?" These are questions of intimate concern to the medical and charitable institutions throughout the country. Any discrimination amongst these groups would be very unfortunate. As a matter of fact, so plain is the duty to avoid discrimination that it would ordinarily seem to be begging the question to suggest it. I am, however, compelled to do just that very thing—that is, suggest not only the possibility, but the probability of discrimination. I am moved to do so from experience with prior legislation of a similar character, and I am prepared to illustrate this suggestion by a recitation of that experience.

One of the fields of the Federal Emergency Relief Administration is the furnishing of medical service to those on the relief rolls. The cooperation of the medical professions is of vital importance in that connection. As a guide for the purpose of organizing and implementing this medical relief service, the Federal Emergency Relief Administration issued Rules and Regulations No. 7. Paragraph no. 1 of these regulations set forth the policy of the administration to be recognition of the traditional family and family physician relationship in the authorization of medical care. Section 3 of the regulations provided, I am now reading from the regulations on page 7, paragraph "(b) Licensed practitioners of medicine and related professions: When a program of medical care in the home for indigent persons has been officially adopted, participation shall be open to all physicians licensed to practice medicine in the State, subject to local statutory limitations and the general policy outlined in regulation 1, above." These two sections followed a general introduction in this language: "The conservation and maintenance of the public health is a primary function of our Government. In this emergency, the ingenuity of Federal, State, and local relief officials is being taxed to conserve available public funds and, at the same time, to give adequate relief to those in need. To assist State and local relief administrations in the achievement of these aims, with regard to medical care, two steps have been taken: First, to define the general scope of authorized medical care, where the expenditure of Federal Emergency Relief funds is involved; and, second, to establish general regulations governing the provision of such medical care to recipients of unemployment relief."

In order to allay any possible misconstruction of the regulation confining participation to physicians "licensed to practice medicine" in the States, Dr. Chester D. Swope, Farragut Medical Building, Washington, D. C., chairman of the public relations committee of the American Osteopathic Association, immediately on September 18, 1933, addressed a communication to Dr. H. Jackson Davis, consultant in medical care for the Federal Emergency Relief Administration. The language employed in that letter is its own best exponent. It reads as follows:

DR. H. JACKSON DAVIS,
Federal Emergency Relief Administration,
Albany, N. Y.

DEAR DR. DAVIS: We are informed by the headquarters of the Federal Emergency Relief Administration that you are in charge of the medical relief department of the organization. In that connection, we wish to bring to your attention certain phrasology appearing in paragraph (b), section 3, of the Regulations Governing Medical Care Provided in the Home to Recipients of Unemployment Relief", Rules and Regulations No. 7.

Paragraph (b), entitled "Licensed practitioners of medicine and related professions", reads in part as follows: "When a program of medical care in the home for indigent persons has been officially adopted, participation shall be open to all physicians licensed to practice medicine in the State." Elsewhere in the regulations the right of osteopathic physicians to participate is patent. The phrase "licensed to practice medicine", as used in (b) above mentioned, would undoubtedly be construed by court of law to include osteopathic physicians. Neither we nor you desire the necessity of resort to legal interpretation. On the other hand, we are bound to inform you that the choice of wording in this particular phrase is more than likely to cause misunderstanding in the State administration of the relief. This is no time for misunderstandings and we are quite confident that you will see fit to clarify the phrasology at the earliest possible moment. Will you, therefore, please inform this committee that participation is open to osteopathic physicians under the law and regulations of the Federal Emergency Relief Administration in like manner as in the case of reputable physicians of other schools of medicine.

Assuring you of our desire to cooperate to the utmost in the laudable undertakings of your administration, we beg to commend this matter to your earliest consideration.

On September 28, 1933, the consultant in medical care replied to this letter in the following terms:

Dr. CHESTER D. SWOPE,

Chairman Committee on Public Relations,

American Osteopathic Association, Washington, D. C.

DEAR MR. SWOPE: I note with interest the question which you raised in your recent letter in regard to the phraseology of paragraph (b) of Regulation No. 3, in the recently issued Federal Emergency Relief Administration Rules and Regulations No. 7.

Before discussing the point which you raise, I wish to point out the basic concept underlying these rules. The administration recognized the futility of promulgating any one set of hard and fast rules, complete to the last detail of policy and procedure, which would constitute a practical guide for providing adequate medical care in each city, county, and State in the Union. The administration was cognizant of the tremendous variation between the different States of the Union with regard to both the needs and facilities for medical, dental, and nursing care.

For the above reasons, the rules and regulations finally adopted by the Federal Emergency Relief Administration were designed to outline in broad terms the policies, procedures, and lines of authority in which each State could work out a program—for the provision of adequate medical care “in the home to recipients of unemployment relief”—which would be adapted to the peculiar needs, local statutory restrictions, and economic status in that particular State.

With this broad concept in mind, the phraseology in the first sentence of paragraph (b) of section 3, of the F. E. R. A. Rules and Regulations No. 7, was deliberately adopted to permit adjustment to the variations in statutory limitations on the practice of medicine in the different States.

The citation referred to reads as follows:

“(b) *Licensed practitioners of medicine and related professions.*—When a program of medical care in the home for indigent persons has been officially adopted, participation shall be open to all physicians licensed to practice medicine in the State, *subject to local statutory limitations* (italics mine) and the general policy outlined in regulation 1, above.”

I note in your citation of the above sentence, that you omitted the phrase which I have italicized, yet it is this very phrase which covers the only restriction on the participation of osteopathic physicians in any State program for medical relief, in which State, osteopaths are licensed practitioners of medicine.

For example, under the law in New York State, osteopaths are practitioners of medicine, subject only to the restrictions imposed by section 1262 of the education law, which reads in part:

“License to practice osteopathy shall not permit the holder thereof to administer drugs or perform surgical operations with the use of instruments.”

Specific reference to “local statutory limitations” was made in the F. E. R. A. rules to emphasize the fact that participation in the officially adopted State program for medical care to indigent persons in their homes was open to “all physicians licensed to practice medicine in the State”, where such practice was limited or unlimited.

The phraseology chosen may be interpreted as a deliberate recognition by the administration that it would not be improper for local relief officials, in their discretion, to authorize duly licensed osteopaths to perform professional medical services, subject to the restrictions of law.

Very truly yours,

H. JACKSON DAVIS, M. D.,

Consultant in Medical Care.

The obvious intention of Dr. Davis' interpretation was that within the scope of their legal authorized practice, osteopathic physicians and surgeons were entitled to participation in this relief work in all the States. As questions arose before State relief administrators, this interpretation by Dr. Davis was brought to the attention of the administrators and relied upon in good faith as authorizing such participation.

About a year after the Dr. Davis letter, the Federal Emergency Relief Administration superseded its consultant in medical care by a medical director, a Dr. C. E. Waller, Assistant Surgeon General of the Public Health Service. Within a short time thereafter, there came to the attention of the public-relations committee, a copy of a telegram addressed to the Montana State Relief Administration, over the signature of Dr. Waller, which read in part as follows: “If

osteopaths are licensed to practice medicine in Montana, they are eligible to participate in medical-relief program in that State; if not, they must be considered ineligible." The Montana relief administration immediately called for an opinion of the Montana attorney general, and inasmuch as osteopaths are licensed to practice osteopathy in Montana, the opinion was that they are not licensed to practice medicine. That status of affairs, following, as it happened, upon the heels of a cooperative conference with Dr. Waller, and in direct contravention of the principle expressed in the Dr. Davis letter, evoked the following protest, which, it will be noted, was dispatched on November 14, and which to date has not received a reply.

Dr. C. E. WALLER,
Medical Director Federal Emergency Relief Administration,
Washington, D. C.

DEAR DR. WALLER: You will remember that I called on you a week or so ago with regard to certain difficulties that had been encountered in the States in the construction of Rules and Regulations No. 7 as they apply to participation by osteopathic physicians in medical relief. I told you at that time that on occasions where such misunderstanding arose the Dr. H. Jackson Davis letter on the problem had been sufficient to set the matter right. The object of my call was to increase the efficiency and the cooperation of the osteopathic profession with your organization here and in the States.

Dr. Davis' letter plainly holds the term "licensed to practice medicine" as used in paragraph (b), page 7 of Regulations No. 7, to mean healing art and goes on to say that the phrase "subject to local statutory limitations" is the only limitation on the extent of osteopathic participation. Now, the only sane conclusion from that interpretation is that Rules and Regulations No. 7 include osteopathic participation in every State. The exclusive connotation of the phrase "subject to local statutory limitations" is to avoid the construction that these regulations actually increase private-practice rights beyond the source of all practice rights, namely, the licensing laws of the various States. We have gone on the assumption, and various State administrators have gone on the assumption, as both we and they had a right to do under the Dr. H. Jackson Davis letter, that osteopaths in every State were not only entitled to participate but under a duty to cooperate in performing this relief service. We have understood from the start that if in certain States osteopathic physicians were by State law inhibited against the use of surgery, then in those States osteopathic physicians could not resort to surgery in the Federal relief work. Within such limitations, however, we have assumed that their cooperation with you was not only desired but invited.

During my interview with you, I understood you to remark that you would not want to cram osteopathy down the throat of an unwilling State administrator. This is not a question of sensitiveness or likes and dislikes; it is a question of medical relief and any method which has a tendency to blight a profession recognized and licensed in every State of the Union is obviously "hay wire" and ill-conceived.

I am just now in receipt of a copy of a telegram purporting to come from you. It was directed in answer to official inquiry on osteopathic participation in Montana. In that telegram it is said "if osteopaths are licensed to practice medicine in Montana they are eligible to participate in medical relief program in that State; if not they must be considered ineligible."

Previous to that telegram, the osteopathic physicians of Montana had prepared a participating agreement for the profession with the State relief officials in an effort to lend their best cooperation. Notwithstanding their obvious right to participate, you were apparently asked for an opinion and your opinion stated them to be ineligible unless "licensed to practice medicine." Certain of the State relief officials found some State court decisions holding that osteopaths in Montana are not authorized to practice medicine.

Now, this Montana example, in which you apparently participated, represents the very thing that I talked to you about. You well know that the term "medicine" has several meanings. In its general sense it means "healing art." In its restricted sense, so far as certain types of practice acts are concerned, it means a certain type of healing as distinguished from other types. The Dr. H. Jackson Davis letter, above mentioned, held that it meant healing art, as obviously the regulations were intended to be in general terms. Furthermore, the policy for medical care as enunciated in Regulations No. 7, F. E. R. A., stresses on page 2 of those regulations "the traditional family and family-physician relationship."

Your interpretation, coupled with the manner of its handling in Montana, has the effect only of preserving or tending to preserve traditional family-physician relationship so long as the physician is an M. D. At least that would be true, except in cases such as Texas and Colorado, where every healing art practitioner is "licensed to practice medicine." In the States such as those mentioned, where all healing art practitioners are especially licensed to practice medicine, it is patently absurd to say that osteopaths in those States are entitled to participate, whereas in other States, even though their rights of practice may be absolutely equal, they are denied that right.

I wish further to call your attention to the fact that in the early days of osteopathy, osteopaths were frequently prosecuted for "practicing medicine." That fight has been resolved in the States for many years. Interpretations like yours to Montana will have a tendency to breed and revive again that old contention. Osteopaths in every State are licensed to practice their profession. It is true that their practice rights are limited in certain of the States, but in the broad sense of the term, all of them are practitioners of medicine when we consider the term "medicine" as including the healing art. Osteopathy is a school of medicine just as allopathy and homeopathy are schools of medicine. Your construction of Regulations No. 7 has worked a discrimination against the osteopathic practitioners in Montana. If you cannot agree with the Dr. H. Jackson Davis letter, or if in your opinion you are properly construing that letter, then we suggest that there is nothing holy about the wording of the regulations themselves, and we request that under those conditions you amend them to read "healing art", or in some other manner to do equity. If Dr. Davis' letter does not mean what we think it does, or is susceptible to varied interpretations, then we think it better to amend the regulations, rather than to construe constructions ad infinitum.

I have every desire to see this matter handled with dispatch, as I am sure you also desire it. There seems no reason at all why the osteopathic profession should be harassed by ambiguity. Their rights of participation are absolutely as are those of other schools of medicine, and State administrators should be given to understand that fact in no uncertain terms. I feel that this matter can be determined the most efficaciously in conference.

Very truly yours,

L. L. GOURLEY,
Counsel Public Relations Committee.

The osteopathic profession has not sat back listlessly, refusing to cooperate or take part in national health programs. The profession in the States worked out plans of cooperation with the relief administrations. Some of these plans were accepted in the States, but the present attitude of the Federal Emergency Relief Administration can have the effect of destroying whatever cooperation has been brought about. The osteopathic profession offered its assistance to the Committee on Economic Security. The consultation of the profession on these national and local health problems was not only unsolicited by that committee, but the profession has been consistently refused even the courtesy of official or unofficial inclusion in its deliberations. Under such conditions, and in view of the experience related, it can hardly be construed as borrowing trouble when we suggest the possibility of ultimate discrimination under the terms of this act, which are the handiwork of that committee.

In introducing our correspondence with Drs. Davis and Waller, it should be understood that we are in no sense engaging in personalities. It tells a vivid story of discrimination, and it tells it officially. Not only the propriety, but the actual necessity for introduction of this correspondence is further indicated by the fact that the administration of the provisions of titles I and II of this act is provided to be under the Federal Emergency Relief Administrator, in whose baliview originated the discriminatory practice forming the subject of the correspondence.

Title I of this Economic Security Act provides Federal aid to States for old-age assistance programs. The State, in order to qualify for its allotment for these purposes, is required to submit a plan for old-age assistance, including provision for reasonable subsistence compatible with decency and health. The Administrator will determine whether the State plan makes such reasonable provision. It is not too much to expect that in the evolution of these plans, it will be necessary to make the provision of such subsistence the most economical, and that will entail the provision of special medical care. The present attitude of the Federal Relief Administrator, as reflected in that of his medical director, would involve a

condition upon the States that osteopathic physicians and surgeons be denied participation in such a medical service. The same conclusion applies to title II. Title II of the act provides Federal assistance to States for aid to dependent children, and requires submission of State plans to the Administrator for approval, which State plans must contain provision for reasonable subsistence compatible with decency and health. As in title I, the provisions of title II may be construed to require that State plans so contemplated must include the provision of medical care. Now, if the Federal Emergency Relief Administrator is consistent, he will, as Administrator of the provisions of this title, impose limitations on the States which will deny to osteopathic physicians and surgeons participation in any medical services rendered in contemplation of provisions of this title.

Not only would such regulations deny Federal recognition; they would have the effect of establishing osteopathic exclusion by State law. That is not only a milestone in Federal regulation of the healing arts in the States, it is the exercise of an unfounded power to destroy them. This cannot be the intention of Congress and the American Osteopathic Association appeals to this committee for an expression to that effect.

The CHAIRMAN. The committee will go into executive session. That closes the public hearings.

(Whereupon, at the hour of 10:35 a. m., the public hearing before the committee was closed.)

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